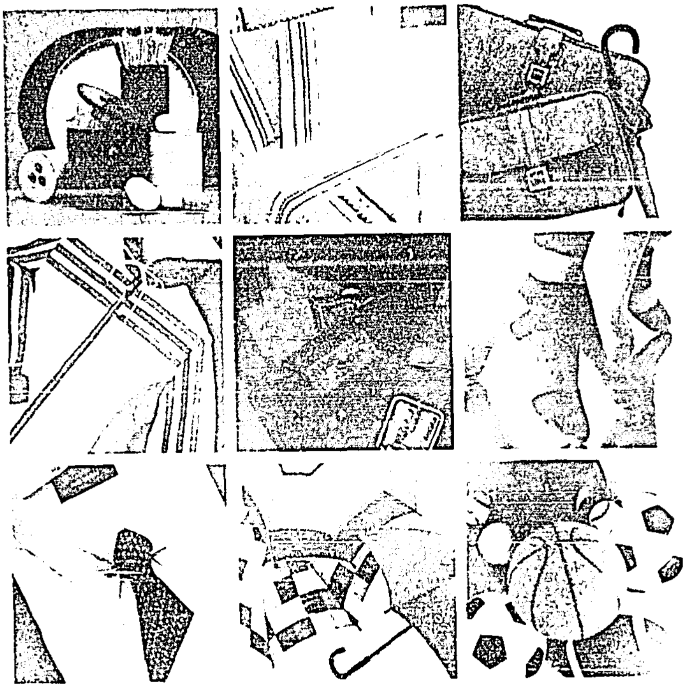
J. C. Penney Company, Inc.

1976 Annual Report

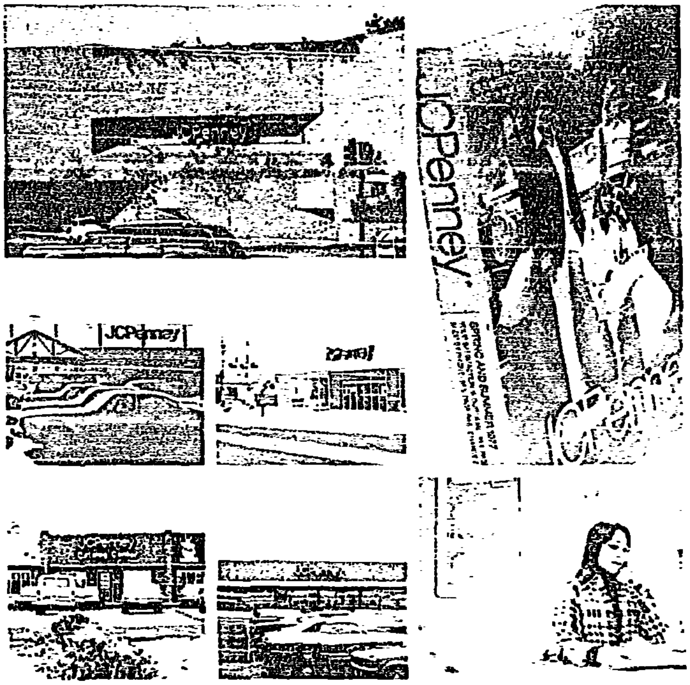


JCPenney Profile

JCPenney is a major retailer of apparel, home and automotive products, drug store merchandise, food, and insurance, serving consumers principally through stores and catalog operations in the United States.

JCPenney's 435 full line stores now account for more than half of total Company sales. Generally located in large shopping centers, these department stores offer a wide selection of family apparel, home furnishings and household textiles, leisure time goods, automotive equipment, and household durables.

JCPenney soft line stores sell principally apparel and household textile merchandise. The 1,246 soft line units generate slightly more than 25 per cent of total Company sales.



Catalog is also an important contributor to Company sales. JCPenney has concentrated on building catalog volume primarily through sales centers in stores. The 1,442 catalog sales centers enable customers to purchase items not on hand in stores and expand the merchandise mix available through smaller stores. Catalog orders can also be placed by telephone and by mail.

Through its full line and soft line stores and catalog, JCPenney is one of the leading retailers of soft line merchandise in the United States.

Other retail operations in the United States include 37 The Treasury stores, which are discount operations, 271 drug stores, and 17 supermarkets.

Consumers in the United States are also served by JCPenney's insurance subsidiaries, which market life and health insurance and automobile and homeowner casualty insurance.

JCPenney has 78 stores in Belgium and five stores in Italy. Operating under the name Sarma, the Belgian stores sell food, general merchandise, and apparel. The Italian stores use the Penney name and offer apparel and household textile merchandise.

Annual Meeting

Our Annual Meeting of Stockholders will be held at 10 A.M., Monday, May 16, 1977, at the William Penn Hotel, 530 William Penn Place, Pittsburgh, Pennsylvania. You are cordially invited to attend. A proxy statement, including a request for proxies, will be mailed to stockholders on or about April 11, 1977.

Supplemental Information

Copies of the Company's Form 10-K annual report for 1976 to the Securities and Exchange Commission and consolidated Employer Information Reports EEO-1 for 1976 year end to the United States Equal Employment Opportunity Commission will be made available upon request to:

Ms. Sylvia A Dresner
J. C. Penney Company, Inc.
Public Information
1301 Avenue of the Americas
New York, New York 10019
Phone (212) 957-8170

Copies of the J. C Penney Financial Corporation's annual report are available from

Mr. Philip G. Rickards
J C Penney Financial Corporation
3801 Kennett Pike
P O Box 3999
Wilmington, Delaware 19807

Inquiries about your stockholder account should be forwarded to

J C Penney Company, Inc
Securityholder Services
P O Box 3940
Wilmington, Delaware 19807

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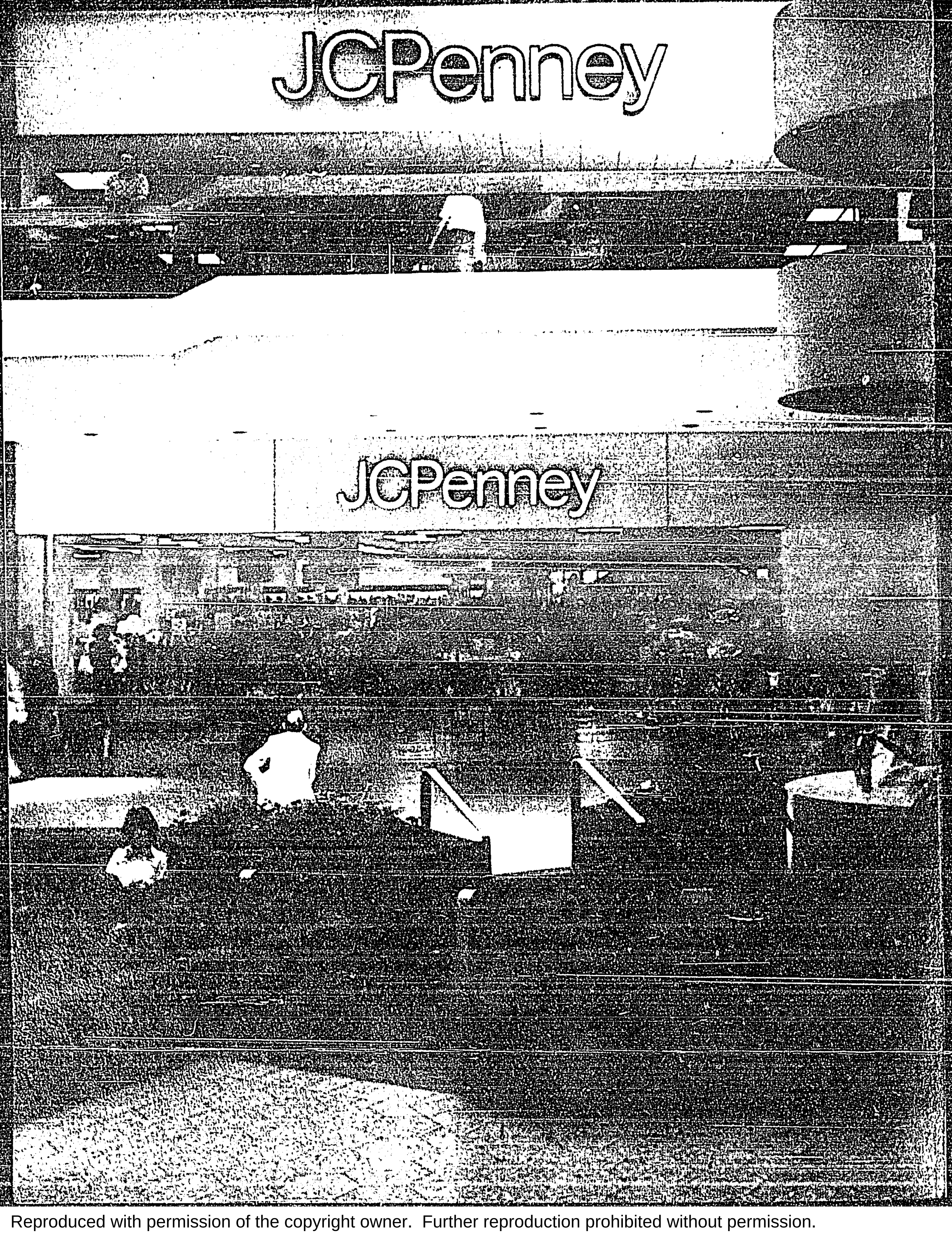

JCPenney
JCPenney

Financial Highlights
(In millions except per share data)

	1976	1975
Sales	$8,353.8	$7,678.6
Per cent increase from prior year	8.8	10.7
Net income	$ 228.1	$ 189.6
Per cent increase from prior year	20 3	58.8
Per cent of sales	2.7	2.5
Per cent of stockholders' equity	13.4	13.5
Net income per share	$ 3.57	$ 3.16
Dividends per share	$ 1.28	$ 1.16
Capital expenditures	$ 232.6	$ 298.4

To Our Stockholders

Growth and increased productivity characterized 1976 for JCPenney.

For the 52 weeks ended January 29, 1977, net earnings rose 20.3 per cent to a record $228.1 million from $189.6 million for the 53 weeks of 1975. Net income per share increased 13 per cent to $3.57 from $3.16 in 1975, when there were approximately 3.7 million fewer shares outstanding.

Sales in 1976 were up 8.8 per cent to a record $8.4 billion from $7.7 billion in the 53 weeks of 1975. On a comparable 52-week basis, 1976 sales were 10.3 per cent higher than in the preceding year.

Effective with the first quarter of 1976, the regular quarterly dividend was raised from 29 cents per share to 32 cents, bringing the annual dividend rate to $1.28.

Net income in the first quarter made a sharp rebound from the depressed 1975 level. Operating results in the second and third quarters continued to improve despite increasingly difficult comparisons with the preceding year's performance in these periods. In the fourth quarter, net income declined, as had been anticipated in light of the record performance in the 1975 fourth quarter, when a 20 per cent sales gain and a significantly lower than anticipated LIFO reserve resulted in a 235 per cent increase in net earnings. Earnings in the fourth quarter of 1976, however, were the second best quarterly results ever reported by the Company.

Despite fluctuations in the sales pace and a moderate rise in markdown activity, our gross margin improved and aided earnings in each quarter.

Interest expense for the year declined 12.7 per cent to $88 million from $101 million in 1975 due to lower interest rates.

Donald V. Seibert, Chairman of the Board

Full line stores and catalog were the principal contributors to our improved sales and profits in 1976. Sales of full line stores amounted to $4.7 billion, which represented 56.6 per cent of total Company sales. Soft line stores' sales were $2.2 billion, or 26.4 per cent of the total.

Catalog sales increased 14 per cent to $848 million. Mail order volume increased only slightly, but sales by catalog sales centers and outlet stores rose 16.4 per cent to $723 million, indicating the extent to which stores and catalog are mutually supporting.

Capital expenditures, mainly for JCPenney stores and catalog facilities, were $233 million in 1976. During the year, we opened 9.3 million gross square feet of new store space, including 50 full line and 36 soft line JCPenney stores. Of these, 40 units were formerly leased by other retailers. We also opened 79 catalog sales centers in stores during the year.

JCPenney stores and catalog will be the primary areas for the $265 million of capital expenditures estimated for 1977. Our expansion program calls for the opening of 23 full line and 36 soft line JCPenney stores and is expected to add more than 4 million gross square feet of store space.

Store opening estimates will probably increase as we will continue to take advantage of attractive opportunities to lease existing retail space. This program should continue at an active level through 1977. Leasing existing space is an economical way to gain speedy entry into markets in which JCPenney is not well represented or to improve our competitive posture when relocating from a small older building. These stores become profitable appreciably sooner than newly built JCPenney units.

We will open a 2 million-square-foot catalog distribution facility near Kansas City, Kansas, in 1977. In Reno, Nevada, construction has begun on what will be our fifth such center; it is scheduled to open in early 1979. In addition, we have started preliminary work on a sixth center in Manchester, Connecticut, anticipating a 1980 opening date.

The focus of our expansion program remains on full line stores in regional shopping centers in major metropolitan markets. A case in point is the Detroit, Michigan, area where we completed a major phase of our market penetration plans last year. The opening of large department stores there was an initial step in a broad program to increase our share of market, a subject we take up later in this report.

In addition to JCPenney stores and catalog, two other operations produced record results in 1976. A sharp increase in sales and earnings in Belgium enhanced the profitability of our European operations, with sales reaching a new high of $543 million.

The other area of dramatic improvement was our insurance subsidiaries, which contributed a record $10.1 million to net income in 1976 compared with $4.6 million in the prior year. This resulted primarily from improved underwriting experience.

In 1976, we opened our first in-store insurance centers in three JCPenney stores in the Louisville, Kentucky, area. Consumer reaction to the centers has been positive, and we are extending the pilot program this year to five more stores in Dayton and Springfield, Ohio, and Fort Wayne, Indiana.

Drug stores, which have grown consistently over the years, recorded increased profits over the 1975 level on an 11.8 per cent sales gain. In 1976, we opened 15 drug stores. Our 1977 plans call for opening 26 more.

The Treasury stores and Supermarkets continued to register losses in 1976. In order to improve Treasury's performance, we are testing new ways of merchandising and marketing for this operation. We sold three supermarkets and closed another last year.

As we look ahead, we see a more cautious and more value conscious consumer than was in evidence in the 1960's. This is understandable as the 1970's have proven to be very sobering for all of us. In real terms, median family income did not rise at all from 1969 to 1975. Consumers have already experienced two recessions in the 1970's and have learned that double-digit inflation and an unemployment rate of 9 per cent are possible within our economy.

Value to today's shopper does not necessarily mean lower price, but is rather centered on the quality and durability of a product. In the fashion area, we are seeing

Walter J. Neppl, President

a return to classic styling in both men's and women's apparel and a renewed interest in fabric, fit, and long term wearability. Similarly, in both hard and soft home and leisure merchandise, price has become secondary to styling, durability, energy conservation qualities, and other factors that in the long run save money for the shopper. The clear shift in consumer needs and wants helped us improve our own merchandising and marketing approach last year.

Sales in the general merchandise retail industry are expected to grow by 11 per cent in 1977, thereby keeping pace with the growth anticipated for total consumer spending. Some of the factors which inhibited sales growth in our industry in 1976, including a sharp increase in consumer spending on automobiles and rapid growth in the cost of essential consumer services, are unlikely to be as important in 1977.

We anticipate that sales and earnings improvements in the second half of 1977 will exceed those earlier in the year. We will continue to pay close attention to the productivity of our operations and will channel our resources to those areas that will afford us maximum growth and profits.

It has been our experience that productive growth requires us to be ever mindful of our responsibilities to employees, customers, and the communities where we do business. Accordingly, a Corporate Responsibility Committee of the Board of Directors, chaired by Vernon E. Jordan, Jr., was formed in May 1976 to provide guidance in addressing matters of corporate social responsibility. On page 16 of this report, we review our performance in 1976 in such areas as equal employment opportunity, charitable contributions, energy conservation, resource recovery, minority economic development, and community involvement and on-loan assignments.

We would like to thank JCPenney's employees, suppliers, and stockholders for their support in 1976. We are confident that 1977 can be a rewarding, productive year for all of us.

Donald V. Seibert

Donald V. Seibert, Chairman of the Board

Walter J. Neppl

Walter J. Neppl, President

Jobs and Productivity

Each year the Joint Economic Committee of the Congress invites representatives from the private sector to present their views on the economy and to comment on government policy alternatives. Donald V. Seibert, Chairman and Chief Executive Officer, was invited to testify before the Committee in February. Following are excerpts from his presentation that deal with jobs and productivity.

In 1976, we hired about 150,000 new employees, most of whom were essentially unskilled and a large number of whom were entering the labor force for the first time.

At the end of the year, a seasonally low employment period for us, we had approximately 183,000 employees on our payroll. JCPenney, like many companies in our industry, makes extensive use of part-time help to cover peak selling times during the week and to cover peak selling periods during the year. This provides an opportunity for many housewives, students, and others who can't or don't want to work full time to select a work schedule which suits their requirements and ours. About 40 per cent of all store employees are part-timers. In January, we mailed out 368,000 W-2 forms to employees in this country who worked for us at some time during calendar 1976.

Jobs

While the economy generally has improved in the last year, it has not improved for the 7½ million Americans unemployed. We are well aware of the social and economic problems such a high level of unemployment creates.

We've thought about these problems at JCPenney. We feel we do have some jobs that could be filled by currently unskilled young people who want to develop useful skills. We feel we have the ability to train these people.

Specifically, we could train young people in some automotive skills to qualify them for jobs in our 400 automotive centers around the United States. We could train young people for jobs in the appliance and electronics service areas of our business. We could train young people to work in our distribution facilities. We could train young people in basic clerical skills. There may be other areas as well.

We're not sure just how many jobs are involved here. A thousand or so, perhaps This is not a lot of jobs when one considers the magnitude of the problem. Nor is training the only solution to the unemployment problem among young people. Nevertheless, we're not sure that any one massive program can be developed that is going to solve this problem. We feel that the problem may best be solved in thousands of small steps such as those we've just outlined.

Of course, providing young people with skills to qualify them for productive employment only makes sense if job opportunities are expanding. Otherwise, you're simply giving a job to someone you've trained rather than someone else. Likewise, the whole unemployment problem will not be alleviated unless we can find a way to increase the number of jobs available in our economy

There have been a number of proposals involving the business sector that would over the long term have a major impact on jobs. In one form or another these involve providing business with adequate capital and investment incentives to make the expenditures necessary to provide a significant number of new jobs in our economy. We won't go over the various proposals as others have adequately covered them. Rather, we would like to cover an area we feel receives inadequate attention: productivity.

Productivity

There are only two ways to increase real output· through increased productivity or through increased labor input Since 1950, productivity gains have accounted for something approaching 70 per cent of all the real growth in our economy. While productivity improvement is dependent on all factors of production, it is often measured as the change in the amount of output per individual in a given period of time. Productivity improvement is the only way to improve real wages and is the basis for improvement in the standard of living.

A dramatic example of the effects of productivity can be seen in our agricultural sector. Today, less than 4 per cent of our workforce is engaged there versus 50 per cent 100 years ago.

In our opinion, increased productivity is essential if we are to provide all the new jobs that are required in our economy. Productivity encourages investment. It also helps contain inflation and provides consumers with real income gains

We have learned a lot about productivity at JCPenney. As you're probably aware, productivity increases in retailing are not easy to come by. This is particularly worrisome to us since prices in the general merchandise retailing industry have not risen as fast as general price levels, and our costs tend to increase faster than our prices. Increased productivity is, therefore, a must unless we want our profit margins to shrink and ultimately disappear.

Several years back, we put together a high level management team to study the problem of productivity in our Company. This effort and the increased interest in productivity improvement it developed throughout the Company uncovered many opportunities.

We found opportunities in stores to utilize our space more effectively. We found that organization changes aimed at a closer liaison among our selling, buying, and marketing staffs improved productivity. We found that providing key decisionmakers with better information improved productivity, as did better planning. We found that better ways to train associates also improved productivity.

Many opportunities remain, but we feel greatly encouraged by the progress we've already made. Our plans for the years ahead are based on a feeling of confidence that we know how to employ our resources productively. Our plans call for a fairly sizeable increase in the number of jobs that will be created at JCPenney in the next five years and beyond.

We feel that increasing productivity needs to be given greater encouragement by governmental bodies, with the Federal government taking a leadership role. As part of this effort, private research and development activities aimed at improving productivity could be encouraged through tax incentives. The government might directly fund research and development projects that have as a goal improving the productivity of broad segments of our economy.

All laws, regulations, restrictions, and operating procedures should be carefully scrutinized to evaluate their impact on productivity in this country. Where impediments to productivity are uncovered, efforts must be made to remove them Even when legal restrictions or procedures are thought to be necessary for the benefit of some segment of our society, this benefit must be weighed against the common objective of improving productivity

Improving productivity does not imply that workers need to work harder. Improving productivity means that the system needs to be made more efficient

Improving productivity is one of the best ways to keep higher rates of inflation in check. When productivity is increasing, both workers and investors can be amply rewarded. This alleviates the pressures for working people to seek inflationary wage increases and businessmen to seek inflationary price increases.

We feel that recognition of the positive impact of productivity on all of us, a removal of obstacles to productivity improvement, and incentives to encourage the productive use of resources would go a long way toward improving employment opportunities in this country and lowering the threat of a renewed inflationary spiral.

Increasing Market Share

Formulas for increasing market share vary from one retailer to another, but the basic elements are constants. Chief among them are the type, number, and location of stores; the mix, characteristics, and presentation of merchandise; the degree of service; and the extent and tone of advertising and other communications.

The common starting point for increasing market share is research—into population patterns, consumer lifestyles, consumers' perceptions of your stores. Then there are such shared constraints as competition and limitations on resources.

JCPenney developed market by market growth strategies back in the late 1950's when we embarked on our full line department store program. Since that time, of course, strategies have been revised and priorities reordered as economic and competitive factors warranted or as opportunities arose.

In any given area, we generally seek, first, locations in attractive regional shopping centers and, second, sufficient representation to absorb the cost of advertising, warehousing, product service, and the building of a credit card base.

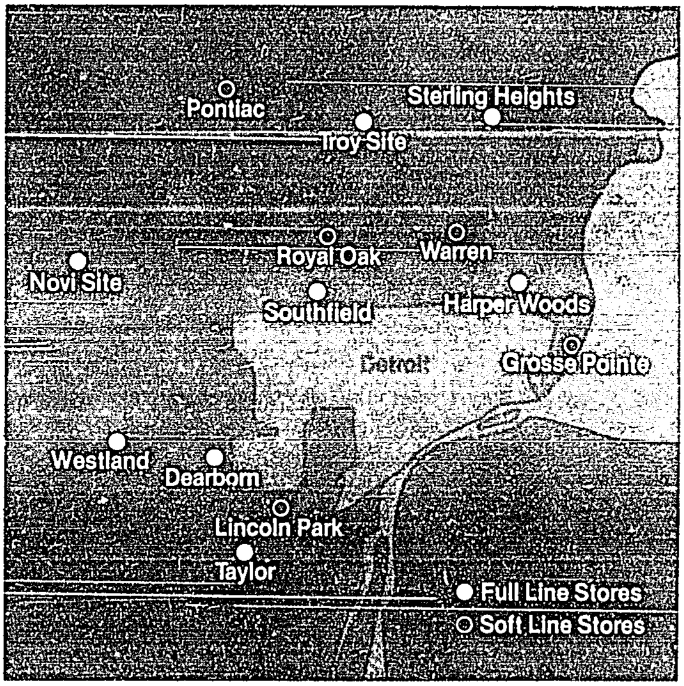
These conditions were met in the Detroit, Michigan, area in the late 1960's, and we began to implement our plans for this market. Since then, we have opened six stores there—two in 1975 and four last year. Two more are under construction—at Novi and Troy—with openings scheduled for Spring 1978, and two more are being planned. The map on this page shows you how we are situated in the Detroit area, the nation's fifth largest metropolitan market and one in which the population has grown 12 per cent since 1960.

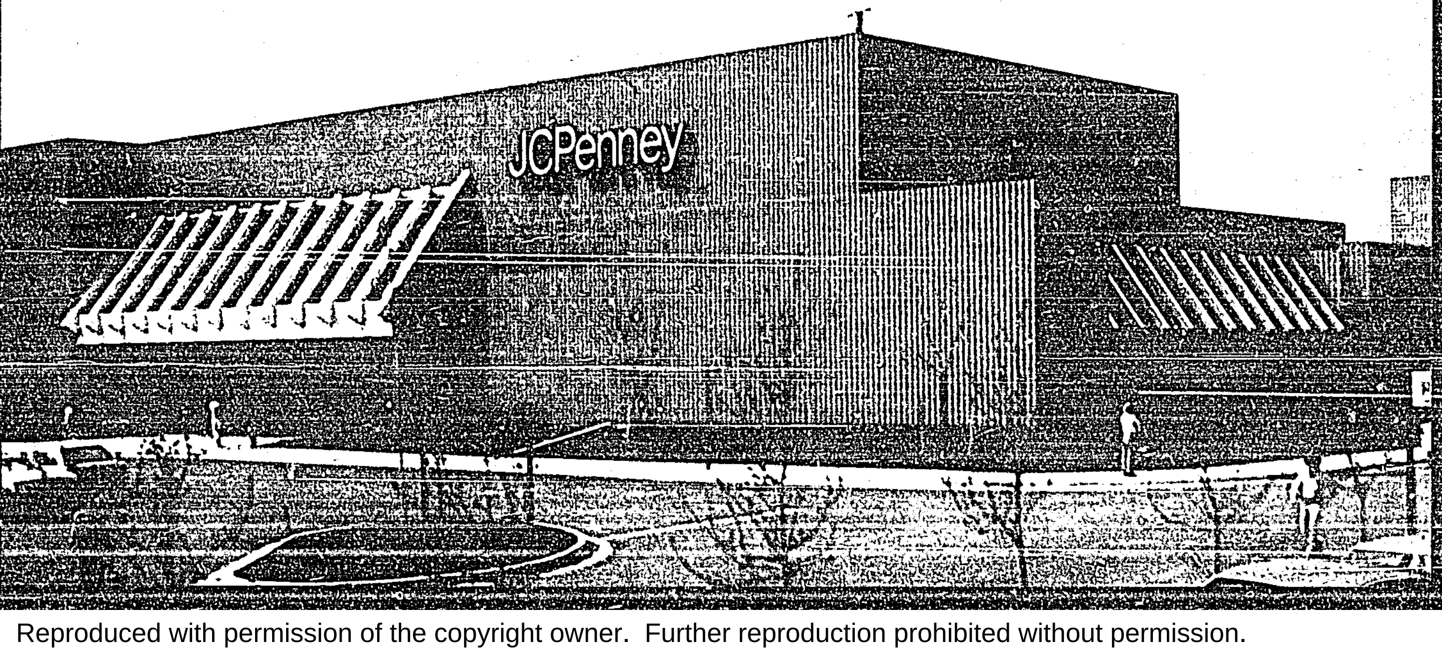
Of our six original small stores in the Detroit area, only the first of these—opened in Highland Park in 1940—has been closed. These soft line stores remain very profitable. As we see it, they paved the way for our large department stores by building a base of satisfied customers.

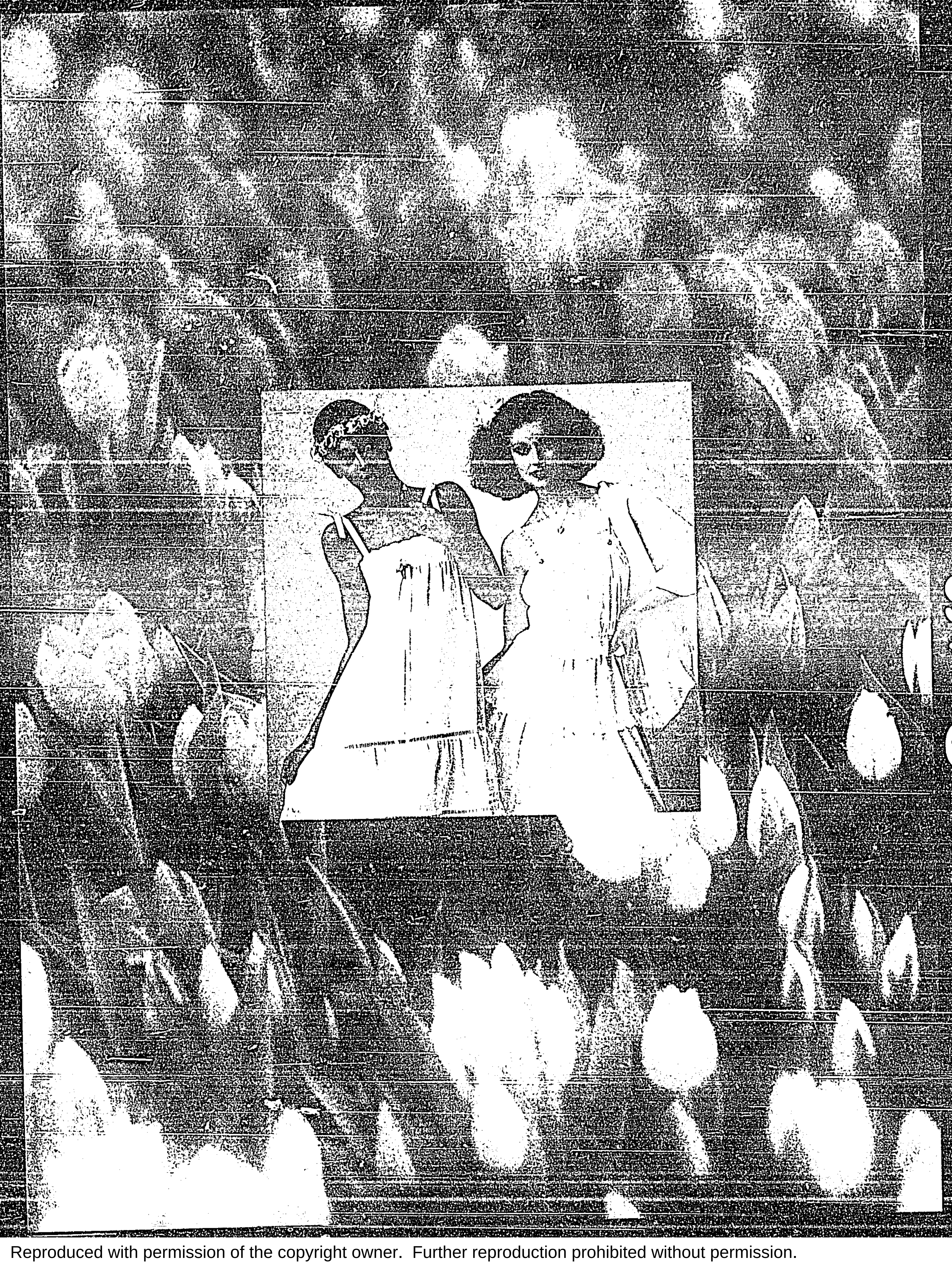
In total, our store space in the area has grown from 248,000 gross square feet in 1974 to almost 1.7 million in 1976. We estimate we had somewhat over 1 per cent of the area's department store type merchandise sales the earlier year. We project approximately 8 per cent for 1977.

Having stores in areas of population growth is just one step in increasing market share. The next step is having what consumers want and giving them a reason to buy it at JCPenney and not the competition. This is the merchandising process that is at the heart of our store activity. Buying, marketing, and selling are involved, and to assure close coordination among all three areas and to overcome our size and centralization, we have adopted a merchandise team concept. At the highest level, the team consists of the director of merchandise, the director of corporate marketing, and our five regional vice presidents. Next come divisional teams, each responsible for a merchandise group, and, lastly, departmental teams.

The teams' foremost objective is to increase JCPenney's overall market share. Plans to accomplish this differ from one merchandise category to another, with product development stressed, for example, in automotive lines and household textiles, and fashion timeliness in women's and men's apparel for "contemporary" customers. We explore some of these strategies in the pages that follow.





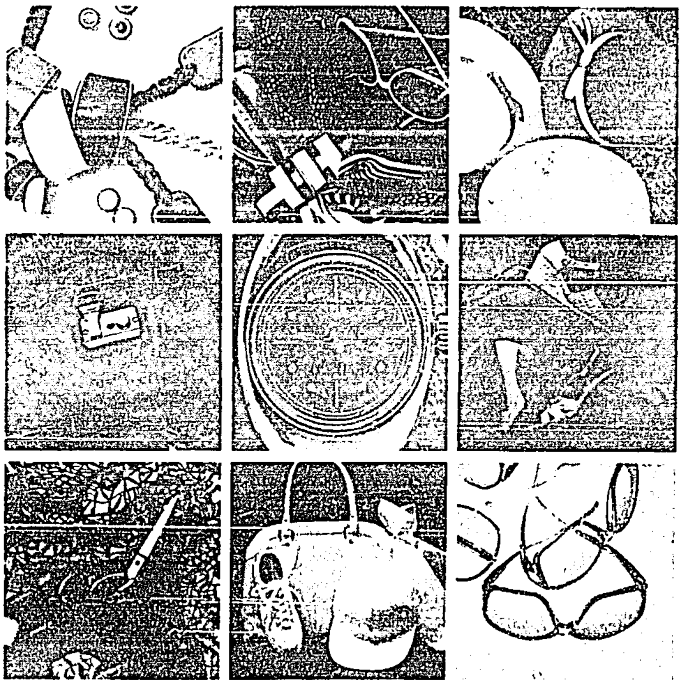


Women's Apparel and Accessories

We occupy a large share of the women's apparel and accessories market, an estimated $30 billion business at retail in 1976 Opportunities for growth still exist in basic apparel areas, and we see good sales potential in becoming more competitive at the early stage of the fashion cycle

To attract customers who already shop our stores as well as new customers, our strategy is to offer merchandise that matches the merchandise character and fashionability of the traditional department store but with a price edge of 10 to 20 per cent for most items most of the time

To focus on the specific needs and wants of customers, our buyers are concentrating on three target segments. the young junior, the contemporary, and the conservative. Of these, the contemporary represents our greatest challenge and opportunity to increase



market share. The young junior and the conservative shopper already look to JCPenney as a fashion source in most markets, but the contemporary customer, who is more fashion aware and less price conscious, spends a relatively small portion of her total fashion expenditure in our stores.

To appeal to her, our assortments are being expanded to include more timely, innovative items representing the newest trends in styling and fabric We are bringing our fashion message to her in our advertising in newspapers and magazines as well as on television — a message that says we have the looks at attractive prices.

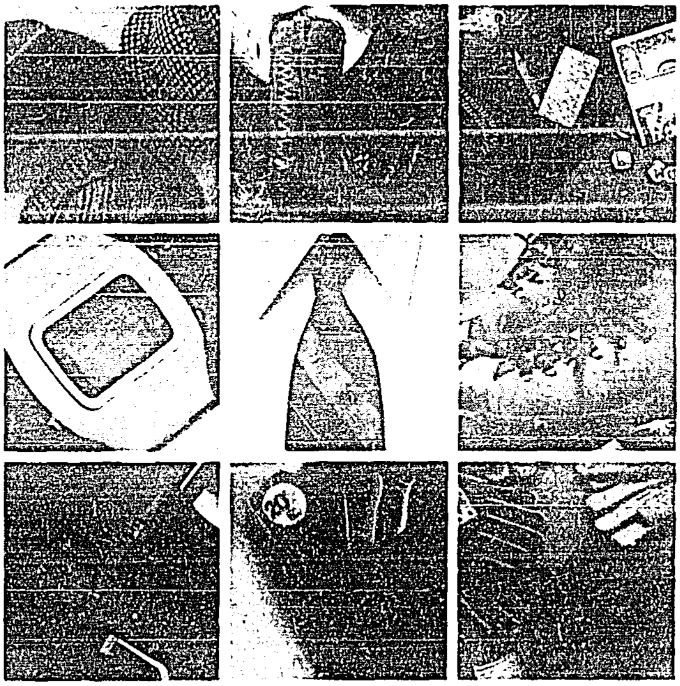
Our interest in women's fashion apparel and accessories has grown along with our expansion into regional shopping centers, which constitute a major retailing fashion environment. To improve our approach to this business we embarked on an exhaustive research study which led last year to implementation of a pilot program in five markets: Pittsburgh, Atlanta, St Louis, Houston, and Seattle Our experience in the 25 stores of the pilot markets should help us to refine our approach to merchandise assortments and presentation, adjacencies, fixturing, signing, advertising, and sales promotion, among the many elements that go into the formula for increasing share of market in women's fashions.

Men's Apparel and Furnishings

The fashion explosion in men's wear has given us a fresh opportunity to increase our share of a market that is second in size only to women's apparel. At the same time, we intend to remain an important retailer of work clothes, underwear, and other basic apparel lines—merchandise that is a significant segment of the more than $10 billion menswear market, a business that is growing at about 9 per cent annually

Customer acceptance of our commodity merchandise has given us a leg up in the fashion area Case in point: flannel shirts Two years ago, we began to offer an assortment for the "casual" market in addition to our basic assortment. As flannel shirts became a hot fashion item, we were able to use our buying acumen to meet the burgeoning demand.

Another example of building from a solid base is our ability to develop a basic men's wear item that gives the customer a reason to buy at JCPenney. The JCPenney Plain Pocket Jean, introduced in 1976, at $10 matches the leading $15 jean in fashion, fit, and styling, indeed in all significant aspects except the stitching on the back pocket—and price. Backed by national television ads, the Plain



Pocket has already increased our share of market in the important jeans area. An expanded Plain Pocket line in 1977 should help us make further gains.

To extend our position in men's fashion apparel, we must appeal to customers who already shop at JCPenney for their merchandise as well as attract new customers In-store presentation, which lets customers know that we have the same level of fashion merchandise as the other department stores in the mall, is a key factor. We have divided the selling floor into three distinct areas to do this. Suits and topcoats are found in the dress up section, while the very important fashion sportswear separates and outerwear are the focus of the casual living shop. Basic apparel and furnishings, including shirts, ties, underwear, and hosiery, are grouped together in the remaining area of the selling floor. This segmentation reflects the organization of our buying department and the focus of our marketing program. Each buying area is now geared to offer two assortment plans that can be tailored, in turn, by individual stores to meet the requirements of their markets.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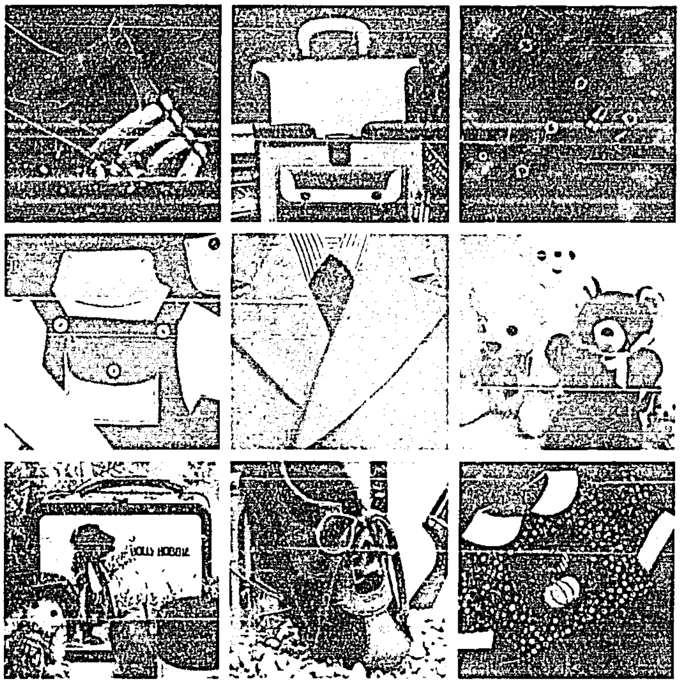
Children's Lines

Our strategy calls for extending our solid market base by stressing those attributes that are most important in children's clothing and accessories for each group. For example, durability and price are vital factors in infants' and toddlers' lines, while fashion looks are much more important in the junior high market. We strive to achieve the right balance in the fashion/value equation for each age and size group.

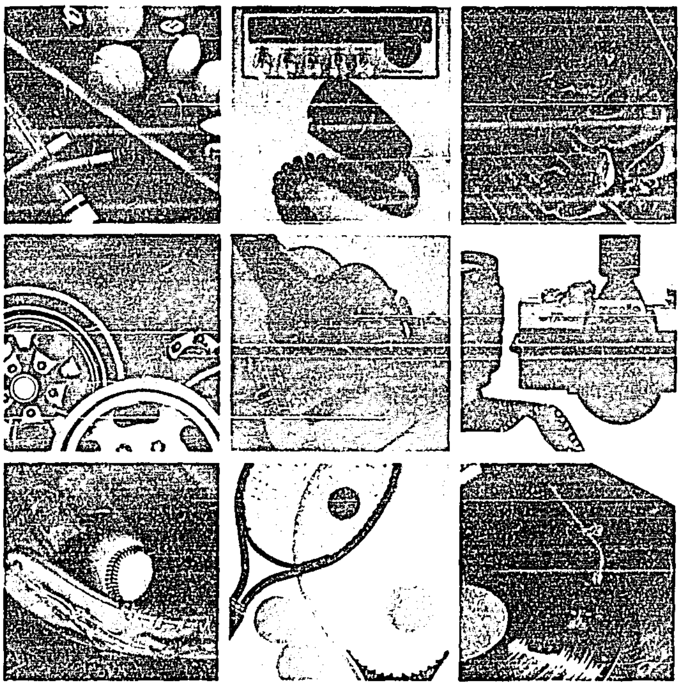
This emphasis on broad age/size categories mirrors the industry approach of manufacturing both boys' and girls' clothing for a particular age group. In order to strengthen our position in the wholesale market and to create highly distinctive assortments, our buyers are now assigned to one of three categories: infants and toddlers, pre-school boys and girls, and school-age boys and girls



In all three categories, we currently have a sizeable share of the basic apparel market, particularly sleepwear, underwear, and hosiery Maintaining this position is dependent on our ability to increase our impact on the children's fashion market. Since the 1960's when we introduced our Penney Pets lines for infants and preschoolers, our fashion strategy has focused on developing a distinctive assortment, enlarging the line as it gains acceptance, and introducing a new line for the next age category as the market for the preceding assortment matures.

Following this successful scenario, our Super Denim jeans, Match Factory coordinates for school-age boys and girls, and Sesame Street infants' to preschool apparel, footwear, and accessories line have joined Penney Pets on the selling floor of practically all JCPenney stores. This spring, a new line of sportswear coordinates for older boys, called Gearing Up, will be introduced. The line will be expanded to cover the older girls' market next year.

Leisure and Automotive Equipment

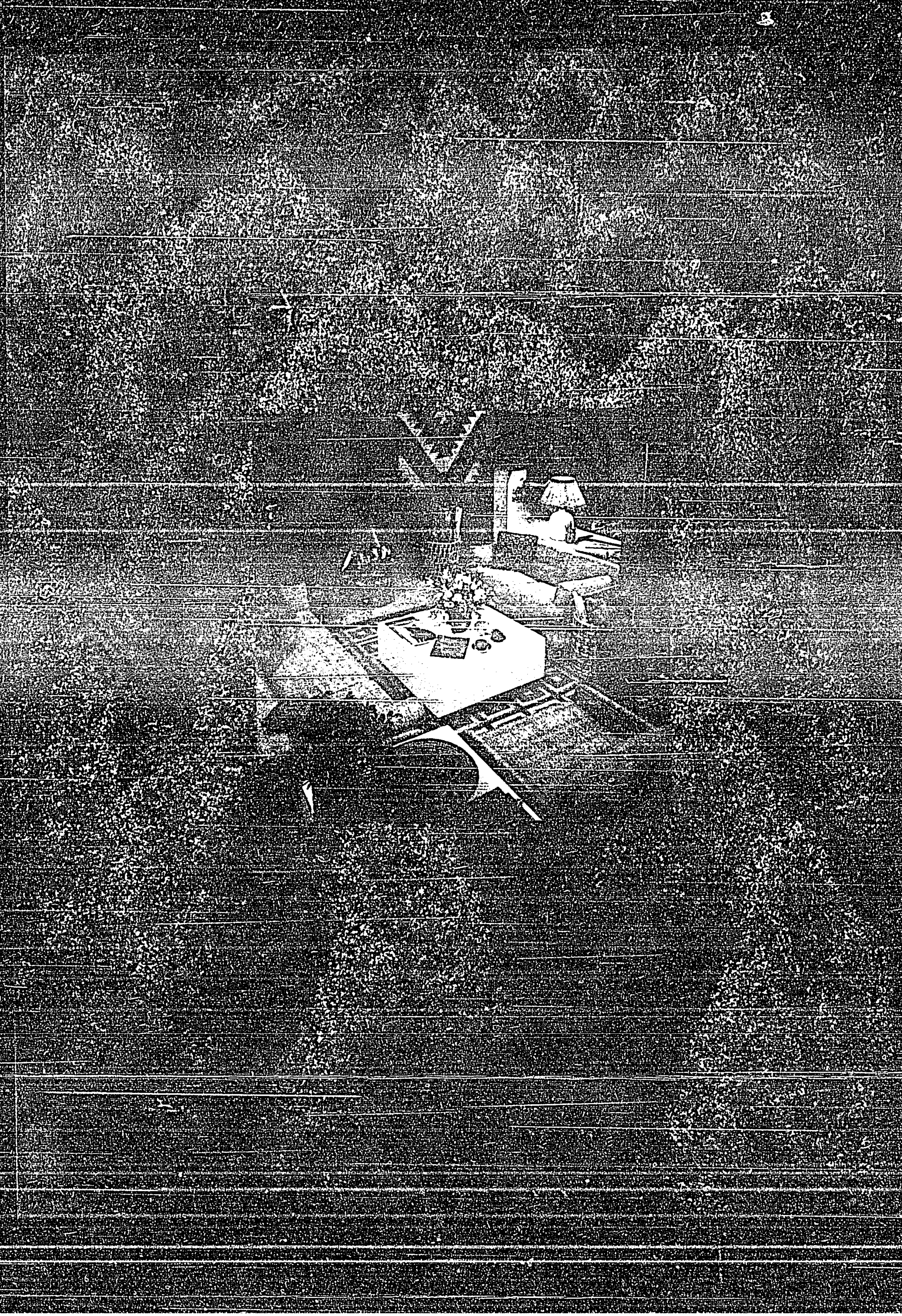


Our strategy in sporting goods is to offer customers recognized brands and where these do not have overwhelming customer acceptance to build JCPenney brand items with a strong value edge. Combining national and private brands, in effect, weds the merchandise appeal of the specialty store with the product development and distribution capability of a national chain.

In home electronics and wheel goods, we also emphasize JCPenney brands. For example, we have built a consumer franchise for our stereos and television sets that compete with name brand sets in the middle to lower price range, but are priced well below them. Now, with the more sophisticated stereo customer in mind, we are introducing a competely new JCPenney stereo line competitive with high fidelity brand names usually found in specialty home electronics stores, but priced below them.

In the automotive area, our aim is to develop and vigorously promote private label products. One example: the JCPenney Battery. Extensive national advertising of the battery's high performance and strong warranty created a new consumer awareness of JCPenney and gave us a market position that has continued to grow despite the competitive products that have come on the scene. Similarly, our JCPenney Aramid belted, radial tire comes with an exceptional, full warranty and has achieved good recognition in the marketplace since its introduction in 1976.

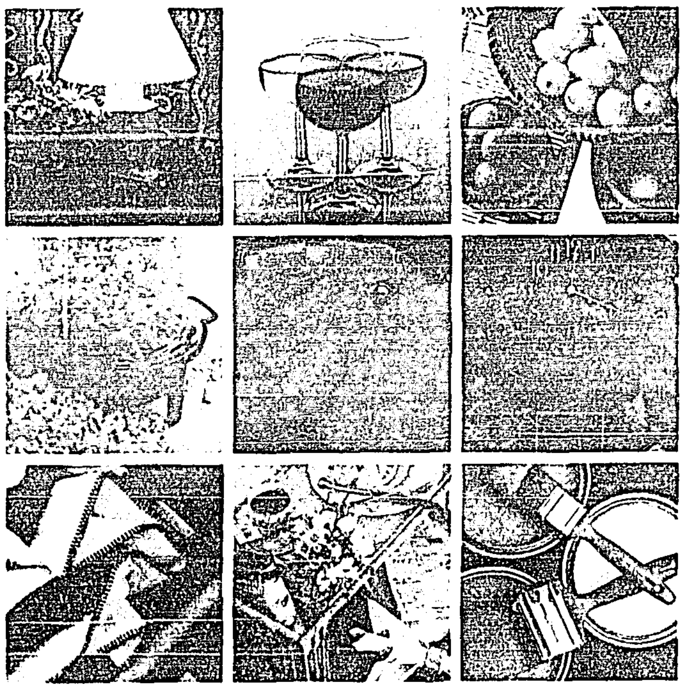
Convenience is certainly one factor that attracts customers to our automotive centers The reliability of JCPenney's name, we believe, is another. Professionally trained sales help in this area as well as in sporting goods is an especially important element in our formula for increasing market share.



Home Furnishings and Home Improvement Lines

Towels, sheets, and other domestics are carried by all our stores, and our volume enables us to buy advantageously. One way we expect to expand in this business is product development. The JCPenney towel was introduced last year following research that revealed what consumers were looking for and what they were willing to pay This towel has exceeded all original sales estimates.

A second and very good example of fashion value is our exclusive Oleg Cassini collection of coordinated sheets, pillowcases, curtains, and other related merchandise. The scope of this program provides our customers with many and different opportunities for merchandise coordination at reasonable prices.



Our customers' interest in do-it-yourself has led to a growing enthusiasm for home improvement lines. To make the most of opportunities for the extension of our market share in these lines, we have reexamined our product mix, concentrating in our stores on such lines as paints, tiles, wallpapers, and lighting fixtures, while including items of less widespread appeal in our catalog selection.

Steered by our research, we have identified key opportunities in furniture to be two quite distinct styles—country and contemporary. Both are appropriate for today's more casual lifestyles, with the latter particularly appealing to young contemporary customers interested in multi-function, ease of maintenance, and simplicity. These same customers want to walk out of the store with their purchases; hence we have expanded our offerings of take home and knockdown furniture. Wicker is also an important look in home furnishings today, and both stores and catalog are participating in the success of this business.

Corporate Responsibility

The Company is vitally aware of the impact it has on the physical and social environments in which it operates. This page summarizes Company performance in a range of areas that are important to our employees, to our customers, and to our many publics.

Charitable contributions

Charitable contributions in 1976 totaled $2.9 million, compared with $2.6 million in 1975. This represents .7 per cent of pre-tax income.

Energy conservation

Voluntary conservation remains the key thrust in Company efforts in the area of energy consumption.

Power management units (PMUs), devices to control heating and air conditioning consumption, were installed in an additional 187 JCPenney stores in 1976, bringing the total number of units in place to 436. In The Treasury stores, six PMUs were installed last year, raising the total to 33. PMUs, now part of the Company's standard building criteria for all new stores, result in electricity conservation of about 10 per cent. The cost of these units is recovered in about six months through reduced utility expenses.

Research continues on technical advancements to control energy usage, and opportunities for additional conservation are expected

In October 1976, seminars on natural gas conservation were held for stores in 15 states identified by the Federal Power Commission as areas where energy shortages were possible. As a result of these meetings, stores implemented additional conservation measures.

Resource recovery

Some 75 facilities reported participation in the Company's solid waste recovery program in 1976, up from 40 in 1975. This effort resulted in an estimated reduction of 20 per cent in waste disposal costs for these facilities.

Employment

Year end employment totaled approximately 183,000, of whom 174,401 were employed in the continental United States. Summaries based upon the Company's consolidated Employer Information Reports EEO-1 to the United States Equal Employment Opportunity Commission for the years 1976, 1975, and 1974 appear below:

Category	1976 Total	Female	Minority
Officials, managers, and professionals	24,369	9,094	1,772
Sales workers	77,062	62 338	7,082
Office and clerical workers	41,867	37,234	5,029
Technicians, craftsmen, and operatives	13,215	7,019	1,856
Laborers and service workers	17,888	7,082	3,310
Total	174,401	122,767	19,049

Category	1975 Total	Female	Minority
Officials, managers, and professionals	23,537	8,406	1,445
Sales workers	78,701	63,968	6,794
Office and clerical workers	43,686	38,450	4,973
Technicians, craftsmen, and operatives	13,103	6,657	1,786
Laborers and service workers	17,797	7,050	3,183
Total	176,824	124,531	18,181

Category	1974 Total	Female	Minority
Officials, managers, and professionals	24,625	8,608	1,506
Sales workers	83,282	68,309	6,334
Office and clerical workers	45,141	39,822	4,867
Technicians, craftsmen, and operatives	14,405	7,103	1,927
Laborers and service workers	16,208	6,114	2,867
Total	183,661	129,956	17,501

Included among the officials, managers, and professionals in 1976 were 1,919 management trainees, of whom 705 were female and 336 were minorities. The comparable figures for 1975 and 1974, respectively, were 1,406 and 2,571 trainees, of whom 518 and 887 were females, and 257 and 343 were minorities.

In 1976, in an effort to identify qualified minorities and women, the Company worked with at least 15 employment agencies, search firms, and organizations specializing in minority placements, and participated in job fairs, campus recruiting, and conferences. We are encouraged by the results and plan to seek additional sources in 1977.

Minority economic development

JCPenney purchased $16 9 million of products and services from 412 minority owned suppliers in 1976, compared with $14 5 million in 1975. The Company was represented on 21 regional councils of the National Minority Purchasing Council.

Active accounts were maintained with 10 minority owned banks. Year end balances with these banks totaled $289 thousand in 1976, compared with $303 thousand in 1975. At year end, our lines of credit with these banks amounted to $1 4 million, the same as in 1975.

Community involvement
On-loan assignments

JCPenney employees actively participated in a wide range of social service and trade association activities in communities throughout the country This included leadership roles in local United Way, blood drive, and U.S. Savings Bond campaigns, local chambers of commerce, state retail associations, and many programs addressing local community needs.

In addition, seven Company employees served in full time on-loan assignments of up to one year during 1976 while continuing to receive full compensation and benefits.

1976 Review of Operations and Financial Information

Sales in 1976 were $8.4 billion, an increase of 8.8 per cent over the $7.7 billion in 1975. Fiscal 1976 comprised 52 weeks, compared with 53 weeks in 1975. On a comparable 52-week basis, sales in 1976 were 10.3 per cent higher than in 1975. Following are the components of the Company's sales:

(In millions)	1976 (52 weeks)	1975 (53 weeks)	Per cent increase (decrease) All units	Comparative units
JCPenney stores				
Full line	$4,725	$4,089	15.6	5.4
Soft line	2,203	2,189	.7	.7
Total	6,928	6,278	10.4	3.8
Catalog	848	744	14.0	n/a
The Treasury stores	410	452	(9.3)	(9 6)
European operations	543	486	11.6	9.5
Drug stores	258	231	11.8	7.6
Supermarkets	90	109	(17.7)	(9.4)
Catalog sales centers and outlet stores	(723)	(621)	n/a	n/a
Total sales	$8,354	$7,679	8.8	3.3

Catalog merchandise sold through catalog sales centers located in the Company's stores is included in the sales of those stores. Catalog outlet store sales are included in the sales of JCPenney soft line stores Total catalog sales shown above include sales by catalog sales centers, by outlet stores, and through mail order Drug and grocery sales through JCPenney and The Treasury stores are included in the sales of those stores. Food sales by European operations are included in the sales of those operations Comparative units are those in operation throughout both 1976 and 1975. For further analyses of sales, see the discussion below of each of the Company's operations and the Ten Year Operations Summary on page 30.

In the 10 years ended January 29, 1977, sales have increased at the compound annual rate of 11.9 per cent.

Net income was $228.1 million in 1976, an increase of 20.3 per cent over the $189.6 million earned in 1975. Net income per share, based on the weighted average number of shares outstanding, was $3.57 in 1976, an increase of 13 per cent over the $3.16 per share earned in 1975, when there were approximately 3.7 million fewer shares outstanding

In the 10 years ended January 29, 1977, net income per share has increased at the compound annual rate of 8.7 per cent.

The quarterly dividend declared was 32 cents per share in 1976 and 29 cents per share in 1975. Dividends declared totaled $81.6 million in 1976 and $70.1 million in 1975 and constituted 35.9 per cent of net income per share in 1976.

Retail units and net selling space increased as follows:

	1976 Number of units	1976 Net selling space (000 sq ft)	1975 Number of units	1975 Net selling space (000 sq. ft)
Additions				
JCPenney stores				
Full line	50	4,390	31	3,188
Soft line	36	880	14	356
Total	86	5,270	45	3,544
The Treasury stores	—	—	6	565
European operations	2	112	1	55
Drug stores	15	200	15	168
Supermarkets	—	—	2	35
Total	103	5,582	69	4,367
Closings				
JCPenney soft line stores				
Relocations	46	724	26	441
Other	10	158	11	167
Total	56	882	37	608
European operations	2	14	4	100
Drug stores	3	10	11	32
Supermarkets	4	52	5	74
Total	65	958	57	814
Modifications and expansions—net	—	(59)	—	(173)
Net increase	38	4,565	12	3,380
Total in operation at end of year	2,089	62,426	2,051	57,861

A schedule of store space opened in 1976 appears on page 31. A history of retail units and net selling space is included in the Ten Year Operations Summary on page 30.

JCPenney full line stores are generally major tenants in large shopping centers located throughout the United States. These department stores offer a wide selection of family apparel, home furnishings and household textiles, leisure time goods, automotive equipment, and household durables. In most stores, about two-thirds of net selling space is devoted to apparel and other soft line merchandise. Most of these stores have a catalog sales center.

Quarterly Financial Highlights

The following table sets forth unaudited sales, costs and expenses, net income, and net income per share for each quarter:

(In millions except per share data)	Sales 1976	Sales 1975	Costs and expenses 1976	Costs and expenses 1975	Net income 1976	Net income 1975	Net income per share 1976	Net income per share 1975
First quarter	$1,733.2	$1,492.6	$1,675.8	$1,486.2	$ 29.9	$ 5.1	$ .47	$ .09
Second quarter	1,838.5	1,710.9	1,785.7	1,666.1	30.9	26.4	.49	45
Third quarter	2,109.3	1,913.9	1,996.0	1,823.7	62.3	48.8	.97	.81
Fourth quarter (14 weeks in 1975)	2,672.8	2,561.2	2,485.0	2,356.3	105.0	109.3	1.64	1.81
Year	$8,353.8	$7,678.6	$7,942.5	$7,332.3	$228.1	$189.6	$3.57	$3.16

At year end, the Company had 435 full line stores in operation. These stores vary widely in size and average 89,000 square feet of net selling space. For full line stores in operation throughout 1976, sales per square foot of net selling space were approximately $130. The Company's store expansion during the 1960's and 1970's has been primarily in full line stores.

Full line stores' profit increased in 1976 over the prior year primarily as a result of higher sales and improved gross margin, partially offset by an increase in selling, general, and administrative expenses.

JCPenney soft line stores, which average 12,000 square feet of net selling space, sell principally apparel and household textile merchandise. Most of these stores also have a catalog sales center, which contributes importantly to sales and profits. Most are located in communities where the Company has operated stores for many years.

At year end, the Company had 1,246 soft line stores in operation. For soft line stores in operation throughout 1976, sales per square foot of net selling space were approximately $147. During the past 10 years, the Company has closed more than 300 soft line stores and replaced the majority of them with other stores in the same markets

Soft line stores' profit declined slightly in 1976 from the previous year due to increased expenses.

Catalog operations serve customers who order merchandise through catalog sales centers in the Company's stores or directly by mail from one of its three distribution centers as well as those customers who purchase merchandise in catalog outlet stores This operation adds flexibility to the Company's overall retailing capabilities by offering a wide range of apparel, home furnishings, leisure time goods, and automotive equipment The Company presently plans to open its fourth distribution center during 1977 and two additional centers by the end of 1980

The Company publishes two general catalogs a fall and winter catalog and a spring and summer catalog. These are supplemented by special catalogs, including Christmas and other seasonal and promotional catalogs

Total catalog sales, comprising sales by catalog sales centers, by outlet stores, and through mail order, were $848.1 million in 1976, up 14 per cent from $744.2 million in 1975

Catalog sales centers and outlet stores contributed to store sales as follows:

			Per cent increase	
(In millions)	1976	1975	All units	Comparative units
JCPenney stores				
Full line	$271.8	$216.4	25.6	10 8
Soft line	437.4	395.0	10.7	12.6
Drug stores and The Treasury stores	13.6	9.3	46 6	21.6
Total	$722.8	$620.7	16 4	12.1

The number of catalog sales centers at each year end is shown below

	1976	1975
JCPenney stores		
Full line	359	308
Soft line	1,027	1,008
Drug stores and The Treasury stores	56	47
Total	1,442	1,363

Catalog's profit increased in 1976 to record levels due to higher sales and excellent control of media and operating costs.

The Treasury stores are freestanding discount stores averaging 115,000 square feet of net selling space. Broad lines of general merchandise accounted for more than two-thirds of 1976 sales volume, with the remainder attributable to supermarkets operated as integral parts of these stores. The Company had 37 Treasury stores in operation during all of 1976. Sales per square foot of net selling space were approximately $96.

The Treasury stores continued to experience a loss in 1976, due primarily to a decline in sales

European operations consist of stores in Belgium and Italy.

At year end, there were 78 stores in Belgium, with an average of 22,000 square feet of net selling space, operating under the name Sarma and selling food, general merchandise, and apparel. One store was opened and two stores were closed in Belgium during 1976. Belgian operations include sales of $211.1 million to franchised stores, of which 202 were in operation at year end. Food sales accounted for 63 per cent of 1976 sales in Belgium.

In Italy, there were five stores in the Milan area, with an average net selling space of 48,000 square feet, operating under the Penney name and selling apparel and household textile merchandise. One store was opened in Italy during 1976.

The following table shows a breakdown of European sales, which exclude value added taxes:

(In millions)	1976	1975	Per cent increase (decrease)
Belgium	$526.1	$469.0	12.2
Italy	16 5	17 2	(3.9)
Total	$542 6	$486 2	11 6

In local currencies, sales increased 15 1 per cent in Belgium and 23 6 per cent in Italy

European operations' profit increased significantly in 1976 from the 1975 level The translation of foreign currency financial statements had a negligible impact on 1976 results and increased 1975 net income and net income per share by $4.2 million and 7 cents.

Combined net assets of European operations were $70.0 million at year end 1976, compared with $62.6 million at year end 1975.

Drug stores, averaging 7,600 square feet of net selling space, offer prescription drugs, health and beauty aid products, and other typical drug store merchandise Prescription drugs accounted for approximately 23 per cent of sales in 1976. The Company operates catalog sales centers in 46 of these stores Drug stores are operated under the name Thrift Drug except in selected markets where they are operated under the name The Treasury Drug Center. At year end, the Company operated 271 drug stores. For stores in operation throughout 1976, sales per square foot of net selling space were approximately $136.

Drug stores' profit increased in 1976, principally as a result of higher sales.

Supermarkets, averaging 16,000 square feet of net selling space, are located primarily in department and discount stores operated by other retailers At year end, the Company operated 17 supermarkets. For supermarkets in operation throughout 1976, sales per square foot of net selling space were approximately $295.

Supermarkets continued to experience a loss in 1976, primarily due to a decline in sales.

Investment in and advances to unconsolidated subsidiaries were $401.9 million at year end 1976, compared with $370.9 million at year end 1975. The following tabulation shows a breakdown of the investment, stated at equity in net assets, and advances:

(In millions)	January 29 1977	January 31 1976
J. C. Penney Financial Corporation (see page 20)	$308.5	$289.6
JCPenney Financial Services	91.8	78.2
JCP Realty, Inc.	1.1	2.9
Other	.5	.2
Total	$401.9	$370.9

JCPenney Financial Services consists of the Company's insurance subsidiaries. These subsidiaries market life and health insurance and automobile and homeowner casualty insurance. They contributed $10.1 million to net income in 1976, compared with $4.6 million in 1975 The increase was due primarily to improved underwriting experience.

At the end of 1976, life insurance in force totaled $3 1 billion. There were approximately 643,000 life and health insurance policyholders, excluding those covered under group plans Automobile and homeowner insurance policyholders totaled approximately 300,000

The insurance subsidiaries value investments in marketable equity securities at the lower of aggregate cost or market. The amount, net of applicable deferred taxes, by which aggregate cost exceeded market value was $1.1 million as of December 31, 1976 compared with $4.9 million as of December 31, 1975 These amounts are reflected as a reduction in the equity of JCPenney in the insurance subsidiaries.

Combined financial information on the insurance operations, in accordance with generally accepted accounting principles, is as follows:

Summary of operations

(In millions)	Year ended December 31 1976	1975
Life and health		
Premiums	$72.4	$67.1
Underwriting income	$ 4.1	$ 1.4
Investment income	10 7	9.0
Income before income taxes	$14.8	$10.4
Casualty		
Premiums	$54.9	$41.6
Underwriting (loss)	$ (4 0)	$ (7.0)
Investment income	3.7	2.9
Income (loss) before income taxes	$ (.3)	$ (4.1)
Combined		
Income before income taxes	$14.5	$ 6.3
Income taxes	4.4	1.7
Net income	$10.1	$ 4.6

Balance sheet

(In millions)	December 31 1976	December 31 1975
Assets		
Bonds, at amortized cost (market: $157.6 in 1976 and $109.7 in 1975)	$157.4	$125.5
Equity securities, at lower of aggregate cost or market	28.1	24.3
Loans	34.0	35.2
Real estate, net	20 5	20.9
Deferred policy acquisition costs	37.2	32 0
Other assets	12.5	9.9
	$289.7	$247.8
Liabilities and equity		
Policy and claims reserves	$162.7	$142.2
Other liabilities	9.8	6.8
Current and deferred income taxes	15.1	10.1
Due to J. C. Penney Company, Inc.	5.1	5 2
Mortgage obligation	10.3	10.5
Equity of J. C. Penney Company, Inc	86.7	73.0
	$289.7	$247.8

JCP Realty, Inc. is engaged in the development and operation of shopping centers through participation in joint ventures.

At year end, Realty had interests in 22 shopping centers, of which 13 were in operation, four were under construction, and five were in the planning stage.

Realty again recorded a small profit in 1976

Credit sales in 1976 rose to $3.1 billion, up 13 6 per cent from $2 7 billion in 1975. The proportion of credit sales to total sales increased to 40 3 per cent in 1976 from 38.9 per cent in 1975. In computing these percentages, grocery sales and sales in Europe are excluded because the Company does not offer consumer credit in connection with those sales.

Approximately 86 per cent of total credit sales was made in accordance with the regular charge schedule, which can be used for almost all types of purchases. The remaining credit sales were made principally in accordance with the time payment schedule, which is intended for use in connection with larger purchases. At year end, the number of accounts with outstanding balances was 10 million regular charge and 1.3 million time payment.

At year end, average account balances and the number of months over which they were collected (average maturities) were as follows:

	Average account balances 1976	1975	Average maturities (In months) 1976	1975
Regular	$150	$142	5.4	5 3
Time	295	282	9 8	9.7
All	166	156	6 0	5.7

Account balances in which any portion was three months or more past due represented 2.3 per cent of the amount of customer receivables at year end 1976, compared with 2.6 per cent at year end 1975.

The Company's policy is to write off accounts when a dollar amount equal to a scheduled minimum payment has not been received for six consecutive months, or if any portion of the balance is more than 12 months past due, or if it is otherwise determined that the customer is unable to pay. Collection efforts continue subsequent to write off, and recoveries are applied as a reduction of bad debt losses.

The net cost of the retail credit operation declined in 1976, as shown below:

(In millions)	1976	1975
Service charge income	$231.8	$202.6
Costs		
Administration	126.4	107.6
Interest	86.5	82.7
Provision for doubtful accounts	39.0	42.2
Income taxes	(9.5)	(14.0)
	242.4	218.5
Net cost of credit	$ 10.6	$ 15.9
Net cost as per cent of credit sales	.3%	6%

Administration includes the costs of operating credit regional offices and that portion of store costs directly related to credit activities.

Interest expense attributable to the credit operation is computed by applying the average rate for borrowings of J C. Penney Financial Corporation to the average total customer receivables after subtracting deferred income taxes applicable to installment sales.

The provision for doubtful accounts consists of net bad debt losses plus the accrual required to maintain the allowance for doubtful accounts at 2 per cent of customer receivables. Net bad debt losses declined in 1976 to $33.7 million or 1.1 per cent of credit sales, from $39.8 million in 1975, or 1.5 per cent of credit sales.

Income tax effects applicable to the credit operation are based upon JCPenney's effective income tax rate.

Class actions have been instituted in a number of states against retailers, in some cases including the Company, seeking substantial recoveries and a reduction of monthly service charges applicable to revolving charge accounts. The ultimate consequences of all pending actions are not presently determinable but will not, in the opinion of management, have a material adverse effect on the Company's financial position or results of operations

Receivables were as follows:

(In millions)	January 29 1977	January 31 1976
Customer receivables		
Regular charge	$1,499.5	$1,314.5
Time payment	375.8	291 5
	1,875.3	1,606.0
Less receivables sold to J. C. Penney Financial Corporation	1,413.1	1,289.5
	462.2	316.5
Due from J. C. Penney Financial Corporation	70.7	64.5
Other receivables	123.9	115.2
	656.8	496.2
Less allowance for doubtful accounts	37.5	32.2
Receivables, net	$ 619.3	$ 464.0

Customer receivables due after one year were approximately $320 million at year end 1976, compared with $270 million at year end 1975.

J. C. Penney Financial Corporation, a wholly owned, unconsolidated finance subsidiary, purchased $2.9 billion of customer receivables from JCPenney in 1976, compared with $2.5 billion in 1975. Under its agreement with JCPenney, Financial withholds from the purchase price of the customer receivables an amount sufficient to provide a contract reserve account equal to 5 per cent of the total receivables owned by Financial at the end of each month. In addition, Financial charges JCPenney a discount on the receivables purchased, which is calculated to produce earnings sufficient to cover Financial's fixed charges, chiefly interest on borrowings, at least one and one-half times.

To finance its purchases of receivables, Financial sells its short term notes (commercial paper and master notes) directly to investors and from time to time issues long term debt and utilizes short term bank borrowings. Average short term note borrowings in 1976, net of short term investments, were $612 8 million, compared with $645.8 million in 1975. Financial's interest expense declined from the 1975 level as a result of lower short term interest rates. Short term rates averaged 5.3 per cent in 1976, compared with 6.2 per cent in 1975. The rate of interest paid on total debt averaged 6.2 per cent, down from the 1975 average of 6.8 per cent.

In September 1976, Financial entered into a note agreement with an institutional investor to sell $75 million of 8 7/8% senior notes due October 1, 1996 and $25 million of 9 1/4% subordinated notes due October 1, 1996 In accordance with the agreement, Financial sold one half of the dollar amount of each class of notes in September 1976, and is expected to sell the balance of the notes during March 1977.

Following is the condensed balance sheet of J. C. Penney Financial Corporation:

(In millions)	January 29 1977	January 31 1976
Assets		
Customer receivables	$1,413 1	$1,289.5
Other assets	45.0	22.5
	$1,458 1	$1,312.0
Liabilities and equity		
Notes payable	$ 549.8	$ 524.5
Accrued liabilities	12.1	9.0
Due to J. C. Penney Company, Inc.	70.7	64.5
Long term senior debt	504.5	424.4
Subordinated debt	12.5	—
Equity of J. C. Penney Company, Inc.	308.5	289.6
	$1,458.1	$1,312.0

None of Financial's obligations is guaranteed by JCPenney. At year end, Financial had confirmed lines of credit with 514 banks totaling $876.6 million, including $796.6 million available to either JCPenney or Financial, none of which was in use.

The complete financial statements of J. C. Penney Financial Corporation are contained in its 1976 annual report, which is available upon request.

Interest expense declined to $88.2 million in 1976 from $101.0 million in 1975 due primarily to lower short term interest rates. The following table shows the principal components of interest expense:

(In millions)	1976	1975
Discount on customer receivables sold to J. C. Penney Financial Corporation	$104.6	$108.8
Interest on advances from J. C. Penney Financial Corporation	(.7)	3.7
Interest on long term debt	31.3	31.9
Other interest, net	(5.4)	1.8
	129.8	146.2
Less		
Income of J. C. Penney Financial Corporation before income taxes	36.6	39.0
Capitalized interest on construction in progress and land held for future use	5 0	6 2
	41.6	45.2
Interest expense	$ 88.2	$101.0

Capitalized interest is computed by applying the average rate for short term borrowings of J. C. Penney Financial Corporation to the average cost of construction in progress and land held for future use. If interest had not been capitalized, net income would have been reduced $2.2 million in 1976 and $2 7 million in 1975

Income tax expense was as follows:

(In millions)	1976	1975
Current		
Federal	$119 5	$113 6
State and local	18 3	11 3
	137 8	124.9
Deferred		
Federal	52.1	32 9
State and local	3 8	3 8
	55.9	36.7
Total income tax expense	$193 7	$161.6
Effective tax rate on income before income taxes and other unconsolidated subsidiaries	47.1%	46.7%

Deferred taxes arise principally from deferred gross profit on the balances due on installment sales and from accelerated depreciation

The effective tax rate differed from the Federal income tax statutory rate of 48 per cent as detailed below:

	1976		1975	
	Amount (In millions)	Per cent of pre-tax income	Amount (In millions)	Per cent of pre-tax income
Federal income tax at 48 per cent rate	$197 4	48.0	$166.2	48.0
Investment credits	(11.0)	(2 7)	(11.0)	(3.2)
State and local income taxes, less Federal income tax benefit	10.7	2.6	7.9	2.3
Other	(3.4)	(.8)	(1.5)	(.4)
Total income tax expense	$193.7	47.1	$161.6	46.7

Taxes other than income taxes, over half of which were payroll taxes, totaled $169.9 million in 1976, up from $149.3 million in 1975.

Merchandise inventories at year end 1976 were $1,263.2 million, an increase of 6.1 per cent from the $1,190.7 million at year end 1975. Substantially all inventories are valued at the lower of cost (last-in, first-out) or market, determined by the retail method. If the first-in, first-out method of inventory valuation had been used by the Company, inventories would have been $109.0 million higher at year end 1976 and $78.5 million higher at year end 1975.

Working funds increased $120.0 million during 1976, compared with an increase of $223.2 million in 1975. Working funds consist of current assets less current liabilities, excluding deferred credits, principally tax effects applicable to installment sales. Following is an analysis of changes in working capital and working funds:

(In millions)	1976	1975
Cash and short term investments	$(101 2)	$162.0
Receivables, net	155.3	269.9
Merchandise inventories	72.5	(28 5)
Properties to be sold under sale and leaseback agreements	(10.1)	(26.0)
Prepaid expenses	5.6	—
Notes payable	—	75.0
Accounts payable and accrued liabilities	(36.2)	(166.3)
Dividend payable	(2.1)	(1.1)
Income taxes and deferred credits	(8.6)	(80.2)
Increase in working capital	75 2	204.8
Deferred credits, principally tax effects applicable to installment sales	44.8	18 4
Increase in working funds	$ 120.0	$223.2

Properties at year end were as follows:

(In millions)	1976	1975
Land	$ 81 6	$ 73.9
Buildings	280.4	188 9
Fixtures and equipment	771.3	723.9
Leasehold improvements	172.2	154.7
Construction in progress and land held for future use	108.4	140.0
	1,413.9	1,281.4
Less accumulated depreciation and amortization	413.3	385.9
Properties, net	$1,000.6	$ 895.5

In 1976, JCPenney sold seven properties for $41.9 million and leased them back. These transactions had no effect on net income.

Capital expenditures in 1976 and 1975 are shown in the following tabulation:

(In millions)	1976	1975
Land	$ 10.9	$ 13.7
Buildings	132.1	84.0
Fixtures and equipment	110.6	103.1
Leasehold improvements	18.6	17.8
Construction in progress and land held for future use	(39.6)	79.8
Total capital expenditures	$232.6	$298.4

Capital expenditures for JCPenney stores and catalog amounted to $201 million in 1976 and $244 million in 1975. Expenditures to renovate stores in these years were $33.3 million and $21.7 million, respectively.

Capital expenditures by landlords were approximately $128 million in 1976, compared with $145 million in 1975.

Current replacement cost information (unaudited). The rules of the Securities and Exchange Commission require that the Company provide certain information to investors regarding the Company's replacement cost of inventories and productive capacity. Such information is included in the Company's Form 10-K annual report for 1976, filed with the Securities and Exchange Commission, copies of which are available upon request. The information contains specific quantitative data with respect to the estimated replacement cost of inventories and certain buildings, fixtures, and equipment at January 29, 1977, and the related estimated effect of such costs on cost of goods sold, occupancy, buying, and warehousing costs, and depreciation expense for the year then ended. The replacement cost information does not reflect the effects of inflation on other assets, liabilities, income, and expenses. The information should not be construed to represent management's intent to replace at one time existing productive capacity, the actual future costs of replacement, or the effects of inflation on the Company's financial statements. The Company has adjusted and will continue to adjust selling prices, competitive conditions permitting, for cost increases which may be due in part to inflation.

Rent expense for real and personal property increased to $267.4 million in 1976 from $238.0 million in 1975. Minimum annual rents at year end amounted to $207.3 million The principal difference between rent expense and minimum annual rents is rent based upon sales. Almost all leases will expire during the next 30 years; however, leases are usually either renewed or replaced by leases on other properties.

Minimum annual rents and the present value of the total commitment under all leases in effect at January 29, 1977 with noncancelable original terms of more than one year are as follows:

(In millions)	Noncapitalized financing leases	Other leases	Total
1977	$ 114.5	$ 85 0	$ 199 5
1978	114 4	77.9	192.3
1979	114.1	70.4	184 5
1980	113.8	64 7	178.5
1981	113.0	62.0	175.0
Thereafter	2,031.8	484.2	2,516.0
Total	$2,601.6	$844.2	$3,445.8
Present value (excluding executory expenses)	$1,005.3	$271.7	$1,277.0

Rent expense applicable to noncapitalized financing leases was $110.7 million in 1976 and $90.5 million in 1975. If financing leases (exclusive of executory expenses) had been capitalized and the resultant property rights amortized on a straight line basis over the primary terms of these leases, net income would have been reduced $16.9 million in 1976 and $12.5 million in 1975. These computations are based upon the following:

(In millions)	1976	1975
Amortization of property rights	$37.0	$29.5
Interest on related lease obligations	$83.5	$65.7
Weighted average interest rate	8.5%	8.3%
Interest rate range	4.0-10.1%	4.0-10.1%

Advertising expense for newspapers, television, radio, and other media, excluding catalog preparation and distribution costs, was $190.0 million in 1976, up from $167.9 million in 1975.

JCPenney's long term debt is shown below:

(In millions)	January 29 1977	January 31 1976
87/8 per cent sinking fund (commencing 1980) debentures due 1995	$150.0	$150.0
9 per cent sinking fund (commencing 1984) debentures due 1999	150.0	150.0
41/2 per cent Eurodollar subordinated debentures due 1987, convertible at $83.96	35.0	35.0
5.75 to 9.65 per cent Belgian franc loans due through 1980	6.2	17.7
6 per cent Eurodollar subordinated debentures due 1989, convertible at $54 50	10.8	10.8
Other	3.5	4.6
Total long term debt	$355.5	$368.1

The indenture relating to the issuance of the Company's 87/8 per cent sinking fund debentures places certain restrictions on the cash purchase of capital stock and the payment of cash dividends. As of January 29, 1977, approximately $1,250 million of reinvested earnings were free of such restrictions. To provide for conversion of debentures, 615 thousand shares of common stock were reserved at January 29, 1977.

Confirmed lines of credit available to JCPenney totaled $826 6 million, including $796 6 million available to JCPenney or Financial, none of which was in use. All unused lines of credit are supported by compensating balances, which are also used to compensate the banks for banking services associated with activity.

Stockholders' equity increased to $1,916.6 million at year end 1976 from $1,704.2 million at year end 1975. Of that increase, $150 3 million resulted from an increase in reinvested earnings.

The return on stockholders' equity was 13.4 per cent in 1976 as compared with 13.5 per cent in 1975.

The following table shows the changes in outstanding common stock:

	Shares (In thousands)		Amount (In millions)	
	1976	1975	1976	1975
Balance at beginning of year	63,255	59,313	$546.8	$365.1
Issued in public offering December 1975	—	3,000	—	131.0
Issued to savings and profit-sharing plan	1,032	769	53.1	40.6
Stock options exercised	1	1	—	—
Issued under stock bonus plan	206	170	8 4	10.0
Other	10	2	.6	.1
Balance at end of year	64,504	63,255	$608.9	$546.8

At year end, approximately 3.5 million shares of common stock were reserved for issuance under the stock bonus and stock option plans and for conversion of debentures.

The number of stockholders increased to approximately 78,000 at 1976 year end from about 77,000 at 1975 year end. At 1976 year end, approximately 81,800 employees were the beneficial owners of 5.3 million shares of common stock through the savings and profit-sharing plan.

JCPenney common stock is traded principally on The New York Stock Exchange. It is also listed on the Brussels and Antwerp Stock Exchanges.

The high and low selling prices as reported in the composite transaction table covering securities listed on The New York Stock Exchange, by fiscal quarter, were as follows:

	1976		1975	
	High	Low	High	Low
First quarter	$60 3/4	$50	$60 1/4	$47
Second quarter	56 1/4	48 1/4	63 1/4	47 1/8
Third quarter	53 5/8	47 3/4	52	41 7/8
Fourth quarter	56 1/8	43 1/4	55 1/4	45 3/8

Retirement plans. Retirement plan expenses were as follows:

(In millions)	1976	1975
Pension	$28.8	$22.8
Savings and profit-sharing	20.0	17.4
Total	$48.8	$40.2

JCPenney's principal pension plan, which is noncontributory, covers substantially all United States employees who have completed 1,000 or more hours of service within a period of 12 consecutive months. Current pension costs are funded annually as incurred, and at year end 1976 all vested benefits were fully funded, based upon market valuation of investments.

The unfunded actuarial liability for pension plans at year end was $49.4 million.

The savings and profit-sharing plan encourages savings by allocating 4 1/2 per cent of the Company's available profits, as defined in the plan, to participants who save under the plan The eligibility requirement is the same as that under the Company's principal pension plan.

JCPenney has amended its retirement plans to comply with the provisions of the Employee Retirement Income Security Act of 1974. These amendments and related changes increased retirement expense approximately $5.1 million in 1976.

Condensed financial statements of the principal retirement plans are as follows:

Balance sheet

(In millions)	December 31 1976	December 31 1975
Assets		
JCPenney common stock at market value: 5.3 million shares in 1976; 4 8 million shares in 1975 (cost: $280.6 in 1976 and $249.1 in 1975)	$280.5	$239.0
Funds with insurance companies	98.0	103.8
Other investments at market value (cost: $122.4 in 1976 and $97.4 in 1975)	126.5	90.9
Other assets, net	46.6	36.5
	$551.6	$470.2
Liabilities and equity		
Estimated liability for pensions	$134.3	$ 95.1
Participants' equity in savings and profit-sharing plan	417.3	375.1
	$551.6	$470.2

Statement of changes in retirement plans assets

(In millions)	1976	1975
Total assets at January 1	$470.2	$351.0
Company contributions	47.1	37.1
Participants' contributions	42.0	36.7
Dividends, interest, and other income	18.1	14.1
Market appreciation of investments	20.8	70.1
Benefits paid	(46.6)	(38.8)
Total assets at December 31	$551.6	$470.2

Stock bonus plan. Under the Company's stock bonus plan, 215 thousand shares of common stock were earned in 1976, compared with 178 thousand in 1975. This plan expired at year end

The Board of Directors has approved a new stock bonus plan, effective January 30, 1977, subject to stockholder approval at the annual meeting to be held on May 16, 1977. Under this plan, 750 thousand shares of common stock will be reserved for issuance to employees under grants based upon profit performance during each of the three years beginning with 1977.

Stock option plan. Under the terms of the stock option plan that was approved by stockholders in 1974, either five-year qualified options or ten-year nonqualified options may be granted. Options generally become exercisable one year from the date of grant.

Transactions in stock options were as follows.

	1976		1975	
	Shares (In thousands)	Option price	Shares (In thousands)	Option price
Balance at beginning of year	414	$43.44-70.44	138	$24.02-70.44
Granted	164	58.82	302	43 44-56 32
Exercised	(1)	51.50	(1)	24.02-51.50
Expired	(40)	51.50-70 44	(25)	49.25-70.44
Balance at end of year	537	$43.44-70.44	414	$43.44-70.44

The Board of Directors has approved several amendments to the stock option plan, effective May 16, 1977, subject to stockholder approval at the annual meeting on that date. One amendment extends the term of the plan one year to January 26, 1980, and another increases the aggregate number of shares reserved for issuance by 1 million shares. After these amendments become effective, only ten-year nonqualified options may be granted.

Under the plan, as amended, 1,562,000 shares will be available for option grants through January 26, 1980.

Statement of Income
Statement of Reinvested Earnings

(In millions except per share data)

Statement of Income	52 weeks ended January 29, 1977	53 weeks ended January 31, 1976
Sales	$8,353.8	$7,678 6
Costs and expenses		
Cost of goods sold, occupancy, buying, and warehousing costs	5,990.8	5,568 1
Selling, general, and administrative expenses	1,863.5	1,663 2
Interest, after deduction of income of J C. Penney Financial Corporation before income taxes	88.2	101.0
Total costs and expenses	7,942.5	7,332.3
Income before income taxes and other unconsolidated subsidiaries	411.3	346.3
Income taxes	193.7	161.6
Income before other unconsolidated subsidiaries	217 6	184.7
Net income of other unconsolidated subsidiaries	10.5	4.9
Net income	$ 228.1	$ 189.6
Net income per share	$ 3.57	$ 3 16

Statement of Reinvested Earnings		
Reinvested earnings at beginning of year	$1,157 4	$1,042.8
Net income for the year	228.1	189 6
Changes in unrealized decline in value of equity securities	3 8	(4 9)
Dividends	(81.6)	(70 1)
Reinvested earnings at end of year	$1,307.7	$1,157 4

See 1976 Review of Operations and Financial Information on pages 17 to 23 and Summary of Accounting Policies on page 27

Balance Sheet

(In millions)

Assets	January 29, 1977	January 31, 1976
Current assets		
Cash	$ 46.4	$ 87.5
Short term investments	66.4	126.5
Receivables, net	619.3	464.0
Merchandise inventories	1,263.2	1,190.7
Properties to be sold under sale and leaseback agreements	—	10.1
Prepaid expenses	66 5	60 9
Total current assets	2,061.8	1,939.7
Investment in and advances to unconsolidated subsidiaries	401 9	370 9
Properties, net	1,000.6	895.5
Other assets	19 5	19.9
	$3,483 8	$3,226.0

Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 758 5	$ 722.3
Dividend payable	20.5	18.4
Income taxes	49 9	86.1
Deferred credits, principally tax effects applicable to installment sales	289.8	245 0
Total current liabilities	1,118.7	1,071.8
Long term debt	355 5	368 1
Deferred credits, principally tax effects applicable to depreciation	93.0	81.9
Stockholders' equity		
Preferred stock without par value: Authorized, 5 million shares—issued, none		
Common stock, par value 50¢: Authorized, 75 million shares—issued, 64 5 million shares	608.9	546 8
Reinvested earnings	1,307.7	1,157.4
Total stockholders' equity	1,916.6	1,704.2
	$3,483.8	$3,226 0

See 1976 Review of Operations and Financial Information on pages 17 to 23 and Summary of Accounting Policies on page 27.

Statement of Changes in Financial Position

(In millions)

	52 weeks ended January 29, 1977	53 weeks ended January 31, 1976
Funds were generated from:		
Operations		
Net income	$228 1	$189.6
Deduct undistributed net income of unconsolidated subsidiaries	(29.4)	(25.2)
Depreciation and amortization	87.5	80.7
Deferred credits, principally tax effects applicable to depreciation	11.1	18.3
Effects of foreign exchange on long term liabilities	(1.6)	(3.7)
Stock issued for Company contributions to savings and profit-sharing and stock bonus plans	29.2	23 4
Total	324.9	283.1
External sources		
Disposition of properties (principally sold and leased back)	40.0	125.4
Stock issued in public offering	—	131.0
Stock issued for employee contributions to savings and profit-sharing plan, exercise of options, and conversion of debentures	32.9	27.3
Decrease in investment in and advances to unconsolidated subsidiaries	2 2	10.3
Total	75.1	294.0
Total funds generated	400 0	577 1
Funds were used for:		
Dividends	81 6	70.1
Capital expenditures	232 6	298.4
Retirement of long term debt	11 0	9
Change in other assets	(4)	2.9
Total funds used	324 8	372.3
Increase in working capital	75 2	204.8
Increase in other deferred credits, principally tax effects applicable to installment sales	44.8	18.4
Increase in working funds	$120 0	$223.2

See 1976 Review of Operations and Financial Information on pages 17 to 23 and Summary of Accounting Policies on page 27

Accountants' Report

To the Stockholders and Board of Directors of J. C. Penney Company, Inc.

We have examined the balance sheet of J. C. Penney Company, Inc. and consolidated subsidiaries as of January 29, 1977 and January 31, 1976, and the related statements of income, reinvested earnings, and changes in financial position for the 52 and 53 week periods then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of J. C. Penney Company, Inc and consolidated subsidiaries at January 29, 1977 and January 31, 1976, and the results of their operations and changes in their financial position for the 52 and 53 week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Also, in our opinion, the accompanying statistical data on pages 28, 29, 30, and 31 present fairly the information shown therein.

Peat, Marwick, Mitchell & Co.

345 Park Avenue
New York, N Y.
March 21, 1977

Summary of Accounting Policies

The accounting policies employed by JCPenney are in accordance with generally accepted accounting principles. In those instances in which more than one generally accepted accounting principle can be applied, the Company has adopted the accounting principle that it believes most accurately and fairly reflects the situation, as described in the following paragraphs.

Definition of Fiscal Year. JCPenney's fiscal year ends on the last Saturday in January. Fiscal year 1976 ended January 29, 1977, fiscal year 1975 ended January 31, 1976. They comprised 52 weeks and 53 weeks, respectively. The accounts of several subsidiaries, including the insurance companies, are on the calendar year basis

Basis of Consolidation. The financial statements present, on a consolidated basis, the results of all domestic and European merchandising operations and those real estate subsidiaries whose properties are presently being utilized in merchandising operations. Not consolidated are J C Penney Financial Corporation, the insurance companies, JCP Realty, Inc., and several small non-retail subsidiaries, which are accounted for on the equity basis.

The income before income taxes of J. C. Penney Financial Corporation is included in the statement of income as a reduction of interest expense. The combined income of all other unconsolidated subsidiaries is included as a single item in the statement of income.

Sales. Sales include merchandise and services, net of returns, and exclude value added and sales taxes

Accounts Receivable. Service charge income arising from customer accounts receivable is treated as a reduction of selling, general, and administrative expenses in the statement of income

Merchandise Inventories. Substantially all merchandise inventories are valued at the lower of cost (last-in, first-out) or market, determined by the retail method

Properties. Interest and certain other carrying costs on construction in progress and land held for future use are capitalized in order to reflect the complete cost of properties. Maintenance and repairs are charged to current operations as incurred, and improvements are capitalized.

Depreciation. The cost of buildings and equipment is allocated to revenues on a straight line basis over the estimated useful lives of the assets. The principal annual rates used in computing depreciation are 3 per cent for store buildings, 2½ per cent to 4 per cent for warehouse buildings, and 10 per cent for fixtures and equipment. Improvements to leased premises are amortized on a straight line basis over the term of the lease or the useful life of the improvement, whichever is shorter.

Income Taxes. JCPenney uses the "flow through" method whereby income taxes are reduced currently for the amounts of investment credits.

Deferred Charges. Expenses associated with the opening of new stores are written off in the year of store opening, except for those of stores opened in January, which are written off in the following fiscal year. Catalog preparation and printing costs are written off over the estimated productive lives of the catalogs, not exceeding six months

Pension Costs. The cost of pension benefits has been determined by the entry age normal method. Unfunded actuarial liabilities are amortized over a period not exceeding 30 years.

Ten Year Financial Summary

	1976	1975	1974	1973	1972
Results for year (In millions)					
Sales	$ 8,354	7,679	6,936	6,244	5,530
Per cent increase from prior year	8 8	10.7	11 1	12.9	14.9
Credit sales as per cent of sales	40.3	38.9	39.8	39.4	38.7
Costs and expenses excluding interest and depreciation	$ 7,767	7,151	6,521	5,746	5,105
Interest	$ 88	101	133	90	60
Depreciation	$ 88	81	71	61	53
Income before income taxes and other unconsolidated subsidiaries	$ 411	346	211	347	312
Per cent of sales	4.9	4.5	3 0	5 6	5.6
Income taxes	$ 194	162	101	171	155
Net income	$ 228	190	119	186	167
Per cent increase (decrease) from prior year	20.3	58.8	(35.9)	11.4	23.8
Per cent of sales	2 7	2.5	1.7	3.0	3.0
Per cent of stockholders' equity	13.4	13.5	9.1	16 2	16 7
Dividends	$ 82	70	68	64	60
Increase in reinvested earnings	$ 150	115	51	122	107
Capital expenditures	$ 233	298	263	210	186
Per share results					
Net income—primary	$ 3.57	3.16	2 02	3 20	2.90
—fully diluted	$ 3.56	3 15	2.02	3.19	2.89
Dividends	$ 1 28	1.16	1 16	1 11	1.05
Stockholders' equity	$ 29 78	26.94	23 74	22.43	19 87
Common stock price range					
High	$ 61	63	79	101	99
Low	$ 43	42	35	59	67
Price-earnings ratio					
High	19	38	25	35	37
Low	11	24	11	19	29
Financial position at year end (In millions)					
Assets	$ 3,484	3,226	2,743	2,440	2,169
Working funds	$ 1,233	1,113	890	804	733
Customer receivables					
J C. Penney Financial Corporation, net of 5 per cent withheld	$ 1,342	1,225	1,370	1,190	1,043
J. C. Penney Company, Inc , net	$ 496	349	87	118	68
Merchandise inventories	$ 1,263	1,191	1,219	1,139	1,047
Long term debt	$ 356	368	373	222	219
Stockholders' equity					
Beginning of year	$ 1,704	1,408	1,313	1,152	999
Conversion of debentures	$ —	—	—	1	15
Stock issued—public offering	$ —	131	—	—	—
Stock issued—employee benefit plans and other	$ 63	50	44	38	31
Increase in reinvested earnings	$ 150	115	51	122	107
End of year	$ 1,917	1,704	1,408	1,313	1,152
Stockholders and employees					
Number of stockholders at year end	78,000	77,000	76,000	75,000	74,000
Average number of shares outstanding (In millions)	64	60	59	58	58
Number of employees at year end	183,000	186,000	193,000	200,000	175,000

Management's Discussion of Recent Results

1971	1970	1969	1968	1967
4,812	4,355	3,913	3,379	2,927
10.5	11.3	15.8	15 5	8 3
36.8	36.9	37.4	35.5	35.4
4,450	4,032	3,595	3,082	2,698
54	65	51	31	24
46	38	35	29	27
262	220	232	237	178
5.5	5.1	5.9	7.0	6.1
134	110	121	127	85
135	115	115	112	95
17.3	3	2.6	18.1	14 6
2.8	2.6	2 9	3.3	3.2
17.8	16.8	18.7	20.6	19.2
55	53	53	47	46
80	62	62	65	49
237	213	176	128	111
2.41	2.13	2.14	2.10	1.78
2.38	2 07	2.08	2 06	1 78
1.01	1 00	1 00	.90	.90
17 45	14.06	12 75	11.47	10 19
78	62	57	51	35
61	37	44	28	29
33	30	27	25	22
28	18	21	17	17
1,935	1,719	1,479	1,211	957
554	492	408	422	277
825	758	675	533	483
47	29	26	57	14
878	790	717	617	487
212	327	172	125	—
760	686	614	544	493
132	—	—	—	—
—	—	—	—	—
27	12	10	5	2
80	62	62	65	49
999	760	686	614	544
1,000	69,000	67,000	62,000	58,000
56	54	54	53	53
2,000	152,000	137,000	119,000	104,000

1976 Compared with 1975

Sales for the 52 weeks of 1976 increased 8.8 per cent over the 53 weeks of 1975. On a comparable 52-week basis, 1976 sales were 10 3 per cent higher than in 1975, with inflation accounting for approximately 4 per cent

Net income in 1976 increased 20.3 per cent from the 1975 level. Contributing to the increase, in addition to sales, was greater control over costs and expenses as compared with 1975 Gross margin improved despite a moderate rise in markdown activity. Selling, general, and administrative expenses increased as a percentage of sales due to higher personnel-related costs and upward inflationary pressure in other areas. Interest expense declined 12 7 per cent in 1976 as a result of lower interest rates

For additional discussion and analysis of 1976 compared with 1975, including the results of each operating division, see To Our Stockholders on pages 2 and 3 and 1976 Review of Operations and Financial Information on pages 17 to 23

1975 Compared with 1974

Net income in the first half of 1975 declined 38.3 per cent from that of the comparable prior year period Although total sales increased 5 6 per cent in the first half of 1975, there was a decline of 4 per cent in sales of comparative stores, which was principally a result of the continuing effects of the recession

The strong rebound in the second half produced a 58 8 per cent increase in net income for the full year. Sales for the 53 week fiscal year increased 10.7 per cent, with inflation accounting for approximately 3 per cent of the year's sales

Contributing to the increase in net income, in addition to sales, were lower ratios to sales of cost of goods sold and selling, general, and administrative expenses. The improvement in the cost of goods sold ratio was largely a result of reduced markdowns. The decline in the selling, general, and administrative expense ratio was due substantially to lower salary expense in relation to sales, which resulted from more effective staffing and less inflationary pressure on salary levels.

In 1975, interest expense declined $31.8 million from the prior year level as a result of lower short term rates and lower average borrowings, the latter of which was due principally to lower customer receivables during most of the year and to improved inventory turnover.

Ten Year Operations Summary

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
JCPenney stores — full line										
Number of stores	435	385	354	334	308	270	240	208	176	141
Net selling space (In million sq. ft.)	38.6	34.3	31.2	29.2	26.6	22.8	19.4	16.5	13.7	10.4
Sales (In millions)	$4,725	4,089	3,570	3,111	2,567	1,994	1,628	1,327	1,002	661
Sales per square foot	$ 130	126	120	113	104	96	93	91	86	79
JCPenney stores — soft line										
Number of stores	1,246	1,266	1,289	1,302	1,335	1,370	1,407	1,438	1,476	1,517
Net selling space (In million sq. ft.)	15.3	15.3	15.6	15.9	16.9	17.5	18.1	18.4	19.0	19.4
Sales (In millions)	$2,203	2,189	2,151	2,067	2,085	2,079	2,119	2,156	2,106	2,051
Sales per square foot	$ 147	142	136	125	121	118	116	115	110	106
Catalog										
Number of sales centers	1,442	1,363	1,308	1,243	1,131	1,079	1,019	944	660	637
Number of distribution centers	3	3	3	2	2	2	2	2	1	1
Distribution space (In million sq. ft.)	6.1	6.1	6.1	4.1	4.1	4.1	4.1	4.1	2.0	2.0
Sales — total (In millions)	$ 848	744	615	509	410	322	261	210	160	137
The Treasury stores										
Number of stores	37	37	31	25	23	19	13	10	10	6
Net selling space (In million sq. ft.)	4.2	4.2	3.7	3.0	2.8	2.3	1.5	1.2	1.2	.7
Sales (In millions)	$ 410	452	385	350	285	242	146	128	85	54
Sales per square foot	$ 96	107	118	119	117	122	113	108	97	98
European operations										
Number of stores	83	83	86	89	92	89	92	95		
Net selling space (In million sq. ft.)	1.9	1.8	1.9	1.8	1.7	1.3	1.2	1.2		
Sales (In millions)	$ 543	486	413	349	272	211	204	84*		
Sales per square foot	$ 178	168	140	129	124	118	119	49*		
Drug stores										
Number of stores	271	259	255	239	216	205	189	171	157	148
Net selling space (In million sq. ft.)	2.1	1.9	1.7	1.5	1.3	1.2	1.0	.9	.8	.7
Sales (In millions)	$ 258	231	191	155	132	112	98	84	72	63
Sales per square foot	$ 136	132	121	117	110	111	112	103	95	88
Supermarkets										
Number of supermarkets	17	21	24	24	23	22	23	20	17	16
Net selling space (In million sq. ft.)	.3	.3	.4	.4	.3	.3	.3	.3	.2	.2
Sales (In millions)	$ 90	109	116	111	100	97	88	72	57	46
Sales per square foot	$ 295	336	322	325	337	320	295	299	260	255

Catalog merchandise sold through catalog sales centers located in the Company's stores is included in the sales of those stores Catalog outlet store sales are included in the sales of JCPenney soft line stores Total catalog sales, as shown above, include sales by catalog sales centers, by outlet stores, and through mail order Drug and grocery sales through JCPenney and The Treasury stores are included in the sales of those stores Food sales by European operations are included in the sales of those operations The statistics shown above for drug stores and supermarkets are exclusive of their operations in JCPenney and Treasury stores

Sales per square foot include only those stores in operation for the full year

*Reflects sales of Sarma, S A from July 31, 1969, date of purchase

Store Space Opened in Fiscal 1976

City, state, shopping center	Gross square feet of store space (In thousands)
JCPenney stores	
First quarter	
*Birmingham, Alabama (Century Plaza)	178
McAllen, Texas (La Plaza)	140
*North Riverside, Illinois (North Riverside)	267
Mary Esther, Florida (Santa Rosa)	89
*North Randall, Ohio (Randall Park)	231
Fort Wayne, Indiana (Glenbrook)	173
Dearborn, Michigan (Fairlane)	224
Sterling Heights, Michigan (Lakeside)	228
*Little Falls, New York (Little Falls)	12
*Charleston, South Carolina (Charles Towne)	176
Gastonia, North Carolina (Eastridge)	175
*Fayetteville, North Carolina (Cross Creek)	176
*Big Rapids, Michigan	21
*Johnstown, Pennsylvania (University)	44
*Sioux Falls, South Dakota (The Empire Plaza)	137
*Sandusky, Ohio (Sandusky)	141
*Cape Girardeau, Missouri	31
Second Quarter	
*Plattsburgh, New York (Pyramid)	46
*Winfield, Kansas (Winfield)	13
San Antonio, Texas (Windsor Park)	176
*Elkhart, Indiana (Concord)	139
*Redding, California (Mount Shasta)	140
*Logan, Utah (Cache Valley)	47
*Kearney, Nebraska	21
Russellville, Arkansas (Russellville)	30
Toms River, New Jersey (Ocean County)	173
Trenton, New Jersey (Quakerbridge)	177
Voorhees, New Jersey (Echelon)	181
Third Quarter	
*Baton Rouge, Louisiana (Cortana)	219
Richmond, Virginia	177
Tampa, Florida (Eastlake Square)	173
Richmond, California (Hilltop)	220
*Rexburg, Idaho	11
*Seymour, Indiana (Jackson Park)	46
Baltimore, Maryland (East Point)	175
Eatontown, New Jersey (Monmouth)	221
North Kansas City, Missouri (Metro North)	177
*Jonesboro, Arkansas (Indian)	50
*Rocky Mount, North Carolina (Tarrytown)	57
*Torrington, Connecticut (Torrington D T.N. Plaza)	26
*Greenwood, Mississippi (Greenwood)	60
Marion, Illinois	18
*Hobbs, New Mexico (Broadmoor)	30
*Ithaca, New York (Pyramid)	89
*Greenville, Mississippi (Greenville)	47

City, state, shopping center	Gross square feet of store space (In thousands)
Overland Park, Kansas (Oak Park)	175
Taylor, Michigan (Southland)	214
Westland, Michigan (Westland)	176
*Council Bluffs, Iowa (Bluffs Plaza)	82
Whitehall, Pennsylvania (Lehigh Valley)	221
*Columbus, Mississippi (Leigh)	58
*Vincennes, Indiana (Vincennes Plaza)	46
Forth Worth, Texas (Ridgmar)	217
Morrow, Georgia (Southlake)	170
*Mt. Pleasant, Michigan (Mt. Pleasant)	31
Fourth Quarter	
Chandler, Arizona (Chandler)	53
El Dorado, Arkansas (Mellor Park)	27
*Glendale, Arizona (Valley West)	52
*North Olmsted, Ohio (Great Northern)	173
*Bryan, Texas (Manor East)	60
*Los Banos, California (Los Banos)	53
*Yuma, Arizona (Southgate)	89
*Petaluma, California (Petaluma Plaza)	49
*Great Falls, Montana (Holiday Village)	70
*Indio, California (Indio Plaza)	65
*Selma, Alabama (Selma)	60
*Waycross, Georgia (Satilla Square)	59
*Glendale, California (Glendale Galleria)	206
Cullman, Alabama (Cullman)	25
Cincinnati, Ohio (Western Woods)	51
Willimantic, Connecticut	49
Danbury, Connecticut (Danbury)	44
Lexington, Kentucky (Turfland)	75
*Ashland, Ohio	20
Montgomeryville, Pennsylvania (Montgomery)	174
*Marshall, Minnesota (College Square)	21
Harrison, Arkansas (Ozark)	22
Cardiff, New Jersey	78
Brunswick, Maine	101
Avon Park, Florida (Avon Square)	53
Potsdam, New York	52
Newport, Rhode Island	82
Westerly, Rhode Island (Franklin Street)	79
Toccoa, Georgia (Towne Plaza)	53
*Muncie, Indiana (Muncie)	106
*Albemarle, North Carolina (Quenby)	29
European operations (2 stores opened)	169
Drug stores (15 stores opened)	252
Gross store space opened	9,323

*Relocation of existing store.

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The New York Stock Exchange

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Printed in U S A

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